

Beaufort West

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2018

BEAUFORT WEST LOCAL MUNICIPALITY

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BEAUFORT WES LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Beaufort West Municipality is a local municipality performing the functions as set out in the Constitution (Act no 108 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).

JURISDICTION

The Beaufort West Municipality includes the following areas:

Beaufort West
Nelspoort
Merweville
Murraysburg

EXECUTIVE MAYOR

N. Constable

DEPUTY EXECUTIVE MAYOR

T.Prince

SPEAKER

S.M. Motsaone

CHIEF WHIP

A.M. Kilani

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor	<i>N. Constable</i>
Deputy Executive Mayor	<i>T.Prince</i>
Speaker	<i>S.M. Motsaone</i>
Chief Whip	<i>A.M. Kilani</i>

MUNICIPAL MANAGER

Mr. K. Haarhoff

CHIEF FINANCIAL OFFICER

Mr. C.J. Kyndell

REGISTERED OFFICE

112 Donkin Street
BEAUFORT WEST
6970

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

Nedbank, Beaufort West

ATTORNEYS

Crawford Attorneys, Beaufort West
Van Niekerk Attorneys, Beaufort West

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Remuneration of Public Office Bearers Act (Act no 20 of 1998)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE BEAUFORT WES LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	D.E. Welgemoed
2	O. Haarvoor
3	L. Basson
4	S.M. Motsaone
5	A.M. Kilani
6	E. Wentzel
7	J.J. vd Linde
Proportional	L.Deyce
Proportional	T.Prince
Proportional	E. Lawrence
Proportional	N. Constable
Proportional	A.M. Slabbert
Proportional	Z.J.D. Lambert

BEAUFORT WES LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 110 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

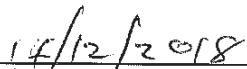
The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Mr. K. Haarhoff
Municipal Manager



Date

BEAUFORT WES LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
ASSETS			
Non-Current Assets		529 958 377	477 129 357
Property, Plant and Equipment	2	514 339 139	461 002 878
Investment Property	3	7 247 207	7 818 934
Intangible Assets	4	400 060	514 895
Capitalised restoration cost	5	51 969	249 416
Heritage Assets	6	5 225 000	5 225 000
Non-Current Receivables from Exchange Transactions	7	1 861 932	1 501 381
Non-Current Receivables from Non-Exchange Transactions	8	833 070	816 852
Current Assets		74 843 898	54 685 417
Inventory	10	3 571 385	3 329 622
Receivables from Exchange Transactions	11	16 362 348	17 263 873
Receivables from Non-exchange Transactions	12	29 180 386	20 382 218
Unpaid Transfers and Subsidies	21	12 935	6 008
Operating Lease Asset	9	25 439	58 988
Taxes	22.3	12 260 539	6 065 549
Current Portion of Non-Current Receivables	7 & 8	784 697	653 553
Cash and Cash Equivalents	13.1	12 646 169	6 925 606
Total Assets		604 802 275	531 814 774
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		60 199 178	63 473 661
Long-term Borrowings	14	9 016 518	12 748 349
Non-current Provisions	15	22 062 433	21 377 863
Non-current Employee Benefits	16	29 016 143	28 823 365
Non-current Trade and Other Payables from Exchange Transactions	20	104 084	524 084
Current Liabilities		85 878 202	65 201 423
Consumer Deposits	17	1 537 467	1 608 232
Provisions	18	5 714 119	5 608 863
Current Employee Benefits	19	9 725 180	9 508 287
Trade and Other Payables from Exchange Transactions	20	53 535 180	30 585 928
Unspent Transfers and Subsidies	21	3 379 953	13 726 439
Cash and Cash Equivalents	13.2	7 792 004	288 119
Current Portion of Long-term Borrowings	14	4 194 300	3 875 555
Total Liabilities		146 077 380	128 675 084
Net Assets		458 724 895	403 139 689
Capital Replacement Reserve	24	-	3 245 448
Housing Development Fund	24	3 789 481	3 781 401
Self Insurance Reserve	24	699 274	626 625
Accumulated Surplus		454 236 140	395 486 215
Total Net Assets and Liabilities		604 802 275	531 814 774

BEAUFORT WES LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		236,015,808	204,617,963
Taxation Revenue		33,875,648	28,321,863
Property Rates	25	33,875,648	28,321,863
Transfer Revenue		154,156,237	108,579,792
Government Grants and Subsidies - Capital	26	77,717,305	44,614,123
Government Grants and Subsidies - Operating	26	76,283,700	62,565,670
Contributed Property, Plant and Equipment	27	155,232	1,400,000
Other Revenue		47,983,924	67,716,307
Actuarial Gains	16	2,474,041	3,409,367
Fines, Penalties and Forfeits		44,641,921	63,676,406
Interest Earned - Non-exchange Transactions		825,998	592,667
Licences and Permits	28	41,964	37,868
Revenue from Exchange Transactions		114,768,137	112,499,572
Service Charges	29	107,422,169	102,538,070
Sales of Goods and Rendering of Services	30	694,306	2,230,267
Rental from Fixed Assets	31	1,135,436	1,206,073
Interest Earned - External Investments	32	760,817	1,338,736
Interest Earned - Exchange Transactions	33	2,821,683	2,676,899
Licences and Permits	28	287,763	329,646
Operational Revenue	34	1,645,964	2,179,881
Total Revenue		350,783,946	317,117,535
EXPENDITURE			
Employee related costs	35	94,429,157	87,718,184
Remuneration of Councillors	36	6,068,438	4,950,588
Bad Debts Written Off		5,632,236	4,331,728
Contracted Services	37	38,897,166	36,440,984
Depreciation and Amortisation	38	24,463,203	16,031,215
Actuarial Losses	16	209,326	-
Finance Costs	39	6,265,751	6,590,116
Bulk Purchases	40	59,022,547	61,512,102
Inventory Consumed		3,337,835	2,445,456
Operating Leases		236,230	192,551
Transfers and Subsidies	41	223,385	272,249
Operational Costs	42	16,927,075	16,587,982
Total Expenditure		255,712,348	237,073,155
Operating Surplus/(Deficit) for the Year		95,071,598	80,044,381
Reversal of Impairment Loss/(Impairment Loss) on Receivables	43	(37,655,717)	(51,240,240)
Gains/(Loss) on Sale of Fixed Assets	44	(1,830,605)	(1,358,255)
NET SURPLUS/(DEFICIT) FOR THE YEAR		55,585,276	27,445,886

BEAUFORT WES LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Replacement Reserve R	Housing Development Fund R	Self Insurance Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	3 078 397	3 903 397	2 270	399 573 304	406 557 368
Correction of Error - note 48.2	-	-	-	5 467	5 467
Correction of Error - note 48.1				460 653	460 653
Correction of Error - note 48.1				287 919	287 919
Correction of Error - note 48.1				(32 727 235)	(32 727 235)
Correction of Error - note 48.1				1 109 586	1 109 586
Restated balance	3 078 397	3 903 397	2 270	368 709 695	375 693 759
Net Surplus/(Deficit) for the year	-	-	-	27 445 859	27 445 859
Net Surplus/(Deficit) previously reported	-	-	-	27 570 572	27 570 572
Effects of Correction of Errors - note 48.1				117 698	117 698
Effects of Correction of Errors - note 48.2				(3 441)	(3 441)
Effects of Correction of Errors - note 48.3				(166 714)	(166 714)
Effects of Correction of Errors - note 48.4				(72 256)	(72 256)
Transfer to/from CRR	2 886 789	-	-	(2 886 789)	-
Property, Plant and Equipment purchased	(2 719 735)	-	-	2 719 735	-
Contribution to insurance reserve			759 036	(759 036)	-
Insurance claim processed			(134 682)	134 682	-
Transfer to Housing Development Fund	-	(121 995)	-	121 995	-
Restated balance	3 245 451	3 781 402	626 624	395 486 141	403 139 618
Net Surplus/(Deficit) for the year		-	-	55 585 276	55 585 276
Transfer to/from CRR	3 539 867	-	-	(3 539 867)	-
Property, Plant and Equipment purchased	(6 863 352)	-	-	6 863 352	-
Contribution to insurance reserve			709 551	(709 551)	-
Insurance claim processed	-		(646 846)	646 846	-
Interest re-allocated to funds	78 036	8 079	9 945	(96 060)	-
Rounding	(3)	-	-	4	1
Balance at 30 June 2018	-	3 789 481	699 274	454 236 140	458 724 895

BEAUFORT WES LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and others		138 392 215	133 243 806
Government		143 647 592	118 996 480
Interest		4 408 497	4 015 633
Cash payments			
Suppliers and Employees		(201 518 354)	(209 726 676)
Finance Charges		(3 448 868)	(6 590 114)
Transfers and Grants		-	(98 140)
Net Cash from Operating Activities	49	81 481 082	39 840 989
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(78 914 109)	(51 730 224)
Purchase of Investment Properties		-	141 585
Purchase of Intangible Assets		(11 930)	(231 340)
Decrease/(Increase) in Non-Current Debtors		-	(470 397)
Decrease/(Increase) in Other Non-Current Receivables		(376 770)	-
Net Cash from Investing Activities		(79 302 809)	(52 290 376)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term Loans (new loans raised)		-	6 879 018
Repayment of borrowings		(3 961 595)	(4 360 724)
Net Cash from Financing Activities		(3 961 595)	2 518 294
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 783 322)	(9 931 093)
Cash and Cash Equivalents at the beginning of the year		6 637 487	16 568 581
Cash and Cash Equivalents at the end of the year	50	4 854 165	6 637 487
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 783 322)	(9 931 094)

BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
			(i.t.o. s28 and s31 of the MFMA)		(i.t.o. s31 of the MFMA)					
		R	R	R	R	R	R	2018 R	%	
ASSETS										
Current Assets										
		5 391 763	(4 000 000)	1 391 763			1 391 763	363 086	-73.91%	Nett of all Cash and Cash Equivalents only 7%
		3 807 092	-	3 807 092			3 807 092	12 283 083	222.64%	deviation.
		17 663 608	1 858 372	19 521 980			19 521 980	16 362 348	-16.18%	Increase in provision for impairment.
		21 802 912	(3 474 713)	18 328 199			18 328 199	41 479 300	126.31%	Decrease in provision for impairment on fines
		3 728 621	-	3 728 621			3 728 621	3 571 385	-4.22%	
Total Current Assets	61.2.1	52 393 996	(5 616 341)	46 777 655	-	-	46 777 655	74 843 898	60.00%	
Non-Current Assets										
		1 737 836	-	1 737 836			1 737 836	2 695 003	55.08%	Increase in arrangements
		8 149 775	(330 841)	7 818 934			7 818 934	7 247 207	-7.31%	
		454 405 157	72 455 649	526 860 806			526 860 806	514 339 139	-2.38%	
		470 701	44 194	514 895			514 895	400 060	-22.30%	
		5 395 735	-	5 395 735			5 395 735	5 276 969	-2.20%	
Total Non-Current Assets	61.2.2	470 159 204	72 169 002	542 328 206	-	-	542 328 206	529 958 377	-2.28%	
TOTAL ASSETS		522 553 200	66 552 661	589 105 861	-	-	589 105 861	604 802 275	2.66%	
LIABILITIES										
Current Liabilities										
		-	-	-			-	7 792 004	0.00%	Nett of all Cash and Cash Equivalents only 7%
		2 985 579	-	2 985 579			2 985 579	4 194 300	40.49%	deviation.
		1 352 897	-	1 352 897			1 352 897	1 537 467	13.64%	Incorrect budget calculation
		32 545 723	(7 934 354)	24 611 369			24 611 369	56 915 133	131.26%	More deposits received
		8 401 419	-	8 401 419			8 401 419	15 439 298	83.77%	Cash flow
Total Current Liabilities	61.2.3	45 285 618	(7 934 354)	37 351 264	-	-	37 351 264	85 878 202	129.92%	Incorrect budget calculation, not including current portion of landfill sites.
Non-Current Liabilities										
		11 120 033	-	11 120 033			11 120 033	9 016 518	-18.92%	Incorrect budget calculation
		55 170 736	-	55 170 736			55 170 736	51 182 660	-7.23%	Incorrect budget calculation, including current portion of landfill sites.
Total Non-Current Liabilities	61.2.4	66 290 769	-	66 290 769	-	-	66 290 769	60 199 178	-9.19%	
TOTAL LIABILITIES		111 576 387	(7 934 354)	103 642 033	-	-	103 642 033	146 077 380	40.94%	
NET ASSETS										
		407 050 435	74 487 015	481 537 450			481 537 450	454 236 140	-5.67%	Nett of listed reasons
		3 926 378	-	3 926 378			3 926 378	4 488 754	14.32%	Incorrect budget calculation
TOTAL NET ASSETS	61.2.5	410 976 813	74 487 015	485 463 828	-	-	485 463 828	458 724 895	-5.51%	

BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	2018 R	%	
REVENUE									
Property Rates	35 416 928	(669 800)	34 747 128			34 747 128	33 875 648	-2.51%	
Service Charges - Electricity Revenue	74 602 000	(739 457)	73 862 543			73 862 543	67 070 824	-9.20%	
Service Charges - Water Revenue	19 441 690	78 070	19 519 760			19 519 760	18 787 685	-3.75%	
Service Charges - Sanitation Revenue	14 531 000	(17 952)	14 513 048			14 513 048	14 150 841	-2.50%	
Service Charges - Refuse Revenue	7 490 000	(1 800)	7 488 200			7 488 200	7 412 818	-1.01%	
Rental of Facilities and Equipment	1 363 461	(96 690)	1 266 771			1 266 771	1 135 436	-10.37%	Decrease in rentals
Interest Earned - External Investments	1 260 000	-	1 260 000			1 260 000	760 817	-39.62%	Cash used due to cash flow
Interest Earned - Outstanding Debtors	2 615 500	100 000	2 715 500			2 715 500	3 647 681	34.33%	Increase in outstanding debtors
Fines	44 785 160	(31 462 260)	13 322 900			13 322 900	44 641 921	235.08%	Incorrect budget adjustment
Licences and Permits	595 450	20 000	615 450			615 450	329 726	-46.43%	
Agency Services	680 000	70 000	750 000			750 000	741 417	-1.14%	
Transfers Recognised - Operational	91 621 000	(11 030 670)	80 590 330			80 590 330	76 283 700	-5.34%	Roll over declined R11,8m by National Treasury
Other Revenue	1 326 266	13 458 764	14 785 030			14 785 030	4 072 895	-72.45%	mSCOA reclassification
Total Revenue (excluding capital transfers and contributions)	295 728 455	(30 291 795)	265 436 660	-	-	265 436 660	272 911 409	2.82%	
EXPENDITURE									
Employee Related Costs	93 514 269	(2 221 968)	91 292 301			91 292 301	94 429 157	3.44%	
Remuneration of Councillors	5 385 243	125 161	5 510 404			5 510 404	6 068 438	10.13%	Double payment to Executive council
Debt Impairment	35 285 005	(15 295 140)	19 989 865			19 989 865	37 655 717	88.37%	Incorrect budget adjustment
Depreciation and Asset Impairment	16 935 231	529 998	17 465 229			17 465 229	24 463 203	40.07%	Useful life adjustment
Finance Charges	1 713 303	1 531 382	3 244 685			3 244 685	6 265 751	93.11%	Incorrect budget calculation
Bulk Purchases	68 085 000	(805 000)	67 280 000			67 280 000	59 022 547	-12.27%	Slow progress on housing project.
Other Materials	27 949 750	(3 221 566)	24 728 184			24 728 184	3 574 065	-85.55%	mSCOA reclassification
Contracted Services	3 594 942	4 247 058	7 842 000			7 842 000	38 897 166	396.01%	mSCOA reclassification
Transfers and Grants	100 000	(20 000)	80 000			80 000	223 385	179.23%	
Other Expenditure	51 241 497	860 832	52 102 329			52 102 329	22 768 637	-96.49%	mSCOA reclassification
Loss on Disposal of PPE	-	-	-			-	1 830 605	0.00%	Incorrect budget calculation
Total Expenditure	303 804 240	(14 269 243)	289 534 997	-	-	289 534 997	295 198 670	1.96%	
Surplus/(Deficit)	(8 075 785)	(16 022 552)	(24 098 337)	-	-	(24 098 337)	(22 287 262)	-7.52%	
Transfers Recognised - Capital Contributed Assets	14 640 000	71 085 538	85 725 538			85 725 538	77 717 305	-9.34%	Roll over declined R11,8m by National Treasury
		-				-	155 232	0.00%	
Surplus/(Deficit) for the year	6 564 215	55 062 986	61 627 201	-	-	61 627 201	55 585 276	-9.80%	

BEAUFORT WES LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

								Actual	
	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Taxation	33 291 912	-	33 291 912			33 291 912	138 392 215	-16.87%
	Service Charges	108 943 879	(1 877 159)	107 066 720			107 066 720	-	
	Other Revenue	21 141 337	4 978 183	26 119 520			26 119 520	-	
	Government - Operating	91 621 000	(12 185 750)	79 435 250			79 435 250	143 647 592	-8.96%
	Government - Capital	14 640 000	63 706 784	78 346 784			78 346 784	-	
	Interest	3 793 692	-	3 793 692			3 793 692	4 408 497	16.21%
	Dividends	-	-	-			-	-	0.00%
Payments									
	Suppliers and Employees	(247 926 889)	13 120 292	(234 806 597)			(234 806 597)	(201 518 354)	-14.18%
	Finance costs	(1 713 303)	(1 531 382)	(3 244 685)			(3 244 685)	(3 448 868)	6.29%
	Transfers and Grants	(100 000)	20 000	(80 000)			(80 000)	-	-100.00%
Net Cash from/(used) Operating Activities	51.2.8	23 691 628	66 230 968	89 922 596	-	-	89 922 596	81 481 082	-9.39%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	-	-	-			-	-	0.00%
	Decrease/(Increase) in Non-Current Debtors	-	-	-			-	-	0.00%
	Decrease/(Increase) in Other Non-Current Receivables	(110 000)	-	(110 000)			(110 000)	(376 770)	242.52%
	Decrease/(Increase) in Non-Current Investments	-	-	-			-	-	0.00%
Payments									
	Capital Assets	(15 870 000)	(72 455 649)	(88 325 649)			(88 325 649)	(78 926 040)	-10.64%
Net Cash from/(used) Investing Activities	51.2.9	(15 980 000)	(72 455 649)	(88 435 649)	-	-	(88 435 649)	(79 302 809)	-10.33%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Short Term Loans	-	-	-			-	-	0.00%
	Borrowing long term/refinancing	-	-	-			-	-	0.00%
	Increase/(Decrease) in Consumer Deposits	60 000	-	60 000			60 000	-	-100.00%
Payments									
	Repayment of Borrowing	(2 985 579)	-	(2 985 579)			(2 985 579)	(3 961 595)	32.69%
Net Cash from/(used) Financing Activities	51.2.10	(2 925 579)	-	(2 925 579)	-	-	(2 925 579)	(3 961 595)	35.41%
NET INCREASE/(DECREASE) IN CASH HELD									
	Cash and Cash Equivalents at the year begin:	4 786 049	(6 224 681)	(1 438 632)	-	-	(1 438 632)	(1 783 322)	23.96%
		4 412 806	2 224 681	6 637 487			6 637 487	6 637 487	0.00%
	Cash and Cash Equivalents at the year end:	9 198 855	(4 000 000)	5 198 855	-	-	5 198 855	4 854 165	-6.63%
Explanations for material variances of R1m or 10%									
Incorrect budget adjustment on fines									
Roll over declined R11,8m by National Treasury									
Increase in outstanding debtors									
Incorrect budget adjustment on fine impairment									
Nett of listed reasons									

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts are set out in note 44 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	1 April 2019

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.10. LEASES

1.10.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.15. EMPLOYEE BENEFITS

(a) *Pension and Retirement Fund Obligations*

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(d) Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee related cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(e) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(g) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.16.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

Infrastructure

Roads and Paving	60
Pedestrian Malls	30
Electricity	60
Water	60
Sanitation	60
Sewerage	60
Housing	95

Community

Buildings	95
Recreation centres	95
Security	5
Halls	100
Libraries	95
Parks and gardens	20
Other assets	20

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Other

Buildings	100
Specialist vehicles	15
Other vehicles	16
Office equipment	30
Furniture and fittings	30
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	15
Other plant and Equipment	30
Landfill sites	15
Quarries	25
Emergency equipment	10
Computer equipment	15

Finance lease assets

Office equipment	5
Other assets	5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	10
Computer Software Licences	10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

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1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at

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each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the

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technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the

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asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2. *Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the

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asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no

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objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

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1.21.3. De-recognition

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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1.21.4. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1. *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. *Subsequent Measurement*

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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1.22.3. *Derecognition*

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1. *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be

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recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial

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recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33. VALUE ADDED TAX (VAT)

1.33.1 Current VAT assets and liabilities

Current VAT for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Current VAT liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the VAT authorities, using the tax rates and VAT laws that have been enacted or substantively enacted by the reporting date.

1.33.2 Deferred VAT assets and liabilities

Deferred VAT liability is recognised for all taxable temporary differences, except to the extent that the deferred VAT liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (VAT loss).

A deferred VAT asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred VAT asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused VAT to the extent that it is probable that future taxable profit will be available against which the unused VAT losses.

Deferred VAT assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and VAT laws) that have been enacted or substantively enacted by the reporting date.

1.34 HERITAGE ASSETS

1.34.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.34.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

BEAUFORT WEST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.34.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.34.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.34.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2018

	Cost/Revaluation						Accumulated Impairment			Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Closing Balance	
Infrastructure															
Electricity Network	91 959 589	-	5 739 130	-	-	97 698 720	-	-	-	13 251 757	-	2 392 229	-	15 643 986	82 054 733
Refuse Network	694 384	-	-	-	-	694 384	-	-	-	213 823	-	27 764	-	241 587	452 797
Road Network	113 140 737	-	16 284 173	-	-	129 424 910	-	-	-	28 571 811	-	3 689 732	-	32 261 543	97 163 367
Sanitation Network	109 164 395	-	8 987 443	-	-	118 151 838	-	-	-	11 926 367	-	2 517 400	-	14 443 767	103 708 071
Stormwater Network	40 514 457	-	-	-	-	40 514 457	-	-	-	12 790 670	-	1 453 262	-	14 243 933	26 270 524
Water Network	59 978 242	-	35 637 016	-	-	95 615 258	-	-	-	18 958 026	-	2 266 356	-	21 224 383	74 390 875
	415 451 804	-	66 647 762	-	-	482 099 566	-	-	-	85 712 455	-	12 346 744	-	98 059 198	384 040 368
Community Assets															
Cemeteries/Crematoria	17 200	-	-	-	-	17 200	-	-	-	1 700	-	167	-	1 866	15 334
Community centres	9 196 783	-	-	-	(849 000)	8 347 783	349 709	320 769	670 478	1 890 961	-	259 959	(92 181)	2 058 739	5 618 565
Libraries	557 477	-	-	-	-	557 477	21 470	-	21 470	57 973	-	5 897	-	63 870	472 137
Recreation sites	6 724 308	-	10 353 808	-	-	17 078 115	186 621	-	186 621	1 053 949	-	179 603	-	1 233 553	15 657 940
	16 495 768	-	10 353 808	-	(849 000)	26 000 575	557 801	320 769	878 570	3 004 583	-	445 625	(92 181)	3 358 030	21 763 975
Other Assets															
Other Land	112 991 340	-	839 243	-	(218 750)	113 611 833	9 727 705	6 949 480	16 677 185	2 909 483	-	827 285	(23 874)	3 712 894	93 221 755
Operational Buildings	43 392 280	-	-	-	-	43 392 280	8 196 620	6 949 480	15 146 100	-	-	-	-	-	28 246 180
	69 599 060	-	839 243	-	(218 750)	70 219 553	1 531 085	-	1 531 085	2 909 483	-	827 285	(23 874)	3 712 894	64 975 575
Machinery and Equipment	4 192 409	-	144 053	-	(1 001 447)	3 335 015	-	-	-	1 969 420	-	392 193	(571 833)	1 789 781	1 545 235
Furniture and Office Equipment	3 648 866	-	220 046	-	(677 438)	3 191 473	-	-	-	1 924 530	-	334 097	(487 680)	1 770 948	1 420 526
Computer Equipment	4 107 412	-	305 859	-	(643 638)	3 769 633	-	-	-	1 983 699	-	434 439	(456 451)	1 961 687	1 807 946
Transport Assets	10 031 376	-	558 568	-	(239 829)	10 350 115	-	-	-	4 208 331	-	785 199	(167 478)	4 826 052	5 524 063
	21 980 062	-	1 228 526	-	(2 562 352)	20 646 236	-	-	-	10 085 980	-	1 945 928	(1 683 441)	10 348 467	10 297 769
Leases															
Office Equipment (Lease)	838 244	-	-	-	(281 313)	556 931	-	-	-	520 856	-	146 705	(281 313)	386 248	170 683
Vehicles (Lease)	7 401 092	-	548 509	-	(508 280)	7 441 321	-	-	-	1 636 565	-	1 468 447	(508 280)	2 596 732	4 844 589
	8 239 336	-	548 509	-	(789 593)	7 998 252	-	-	-	2 157 421	-	1 615 152	(789 593)	2 982 980	5 015 272
Total	575 158 310	-	79 617 816	-	(4 419 695)	650 356 431	10 285 506	7 270 249	17 555 755	103 869 925	-	17 180 735	(2 589 090)	118 461 570	514 339 106

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT

2.2 30 JUNE 2017

	Cost/Revaluation						Accumulated Impairment			Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals	Closing Balance	
Infrastructure															
Electricity Network	90 328 752	(3 442 219)	7 479 223	(2 406 167)	-	91 959 589	-	-	-	11 155 417	(39 890)	2 136 231	-	13 251 757	78 707 832
Refuse Network	1 522 135	(827 751)	-	-	-	694 384	-	-	-	435 467	(266 816)	45 172	-	213 823	480 561
Road Network	129 487 155	(21 570 256)	7 489 139	(2 265 301)	-	113 140 737	-	-	-	25 876 933	(814 880)	3 509 758	-	28 571 811	84 568 926
Sanitation Network	81 296 063	(4 170 182)	18 132 343	13 906 171	-	109 164 395	-	-	-	10 089 991	-	1 836 377	-	11 926 367	97 238 028
Stormwater Network	40 514 456	-	-	-	-	40 514 456	-	-	-	11 337 407	-	1 453 262	-	12 790 669	27 723 787
Water Network	62 695 068	(2 716 826)	-	-	-	59 978 242	-	-	-	16 887 179	(105 698)	2 176 546	-	18 958 027	41 020 215
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	405 843 630	(32 727 235)	33 100 706	9 234 702	-	415 451 803	-	-	-	75 782 393	(1 227 284)	11 157 346	-	85 712 455	329 739 349
Community Assets															
Cemeteries/Crematoria	17 200	-	-	-	-	17 200	-	-	-	1 533	-	167	-	1 700	15 500
Community centrums	9 196 783	-	-	-	-	9 196 783	349 709	-	349 709	1 631 002	-	259 959	-	1 890 961	6 956 113
Libraries	557 477	-	-	-	-	557 477	21 470	-	21 470	52 076	-	5 897	-	57 973	478 034
Recreation sites	6 724 308	-	-	-	-	6 724 308	186 621	-	186 621	890 856	-	163 094	-	1 053 949	5 483 737
	16 495 768	-	-	-	-	16 495 768	557 800	-	557 800	2 575 467	-	429 116	-	3 004 583	12 933 384
Other Assets	111 069 428	-	1 921 911	-	-	112 991 340	9 727 705	-	9 727 705	2 121 217	1 264	787 002	-	2 909 483	100 354 152
Other Land	43 392 280	-	-	-	-	43 392 280	8 196 620	-	8 196 620	-	-	-	-	-	35 195 660
Operational Buildings	67 677 148	-	1 921 911	-	-	69 599 060	1 531 085	-	1 531 085	2 121 217	1 264	787 002	-	2 909 483	65 158 492
Machinery and Equipment	3 975 022	170 956	46 431	-	-	4 192 409	-	-	-	1 768 445	-	200 975	-	1 969 420	2 222 989
Furniture and Office Equipment	3 546 856	33 913	68 096	-	-	3 648 866	-	-	-	1 515 671	-	408 860	-	1 924 530	1 724 335
Computer Equipment	3 945 200	38 457	123 755	-	-	4 107 412	-	-	-	1 034 995	619 884	328 820	-	1 983 699	2 123 713
Transport Assets	8 924 034	44 594	1 736 395	-	(673 647)	10 031 376	-	-	-	4 411 588	-	284 955	(488 212)	4 208 331	5 823 044
	20 391 112	287 919	1 974 678	-	(673 647)	21 980 062	-	-	-	8 730 698	619 884	1 223 610	(488 212)	10 085 980	11 894 082
Leases															
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment (Lease)	1 153 280	-	119 706	(434 742)	-	838 244	-	-	-	686 963	(43 091)	200 930	(323 946)	520 856	317 389
Machinery and Equipment	4 468 083	-	6 778 521	(3 845 512)	-	7 401 092	-	-	-	2 797 985	(117 403)	1 675 194	(2 719 211)	1 636 565	5 764 527
	5 621 363	-	6 898 227	-	(4 280 254)	8 239 336	-	-	-	3 484 948	(160 494)	1 876 124	(3 043 157)	2 157 421	6 081 915
Total	559 421 302	(32 439 315)	43 895 522	9 234 702	(4 953 901)	575 158 309	10 285 505	-	10 285 505	92 694 724	(766 631)	15 473 198	(3 531 369)	103 869 922	461 002 883

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	5 900 275	13 906 171
Roads	161 145	-
Electricity	5 739 130	-
Water Supply	-	587 545
Sanitation	-	13 318 626
Community Assets		258 468
Total Property, Plant and Equipment under construction	5 900 275	14 164 640
2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	24 122 719	14 309 053
Total Repairs and Maintenance	24 122 719	14 309 053
2.5 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	609 541	-
Surplus/(Deficit)	609 541	-
2.6 Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Other	6 949 480	-
Total Impairment Losses	6 949 480	-
2.7 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	40 721 644	47 252 346
Infrastructure	40 721 644	34 488 155
Community	-	11 977 655
Land and Buildings	-	786 536
Total	40 721 644	47 252 346
This expenditure will be financed from:		
Government Grants	40 721 644	47 252 346
Total	40 721 644	47 252 346
3. INVESTMENT PROPERTY	2018	2017
	R	R
3.1 Net Carrying amount at 1 July	7 818 934	8 149 775
Cost/Valuation	11 075 824	11 222 424
Accumulated Depreciation	(2 815 674)	(2 606 067)
Accumulated Impairment Loss	(441 216)	(466 582)
Disposals - Cost	-	(146 600)
Disposals - Accumulated depreciation	-	43 928
Disposals - Accumulated impairment	-	25 367
Depreciation for the year	(232 243)	(253 536)
Impairment loss	(397 184)	-
Reversal of Impairment loss	57 700	-
Net Carrying amount at 30 June	7 247 207	7 818 934
Cost/Valuation	11 075 824	11 075 824
Accumulated Depreciation	(3 047 917)	(2 815 674)
Accumulated Impairment Loss	(780 700)	(441 216)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property		
Sanlam Building	101 464	169 284
3.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating	26 976	18 440
Improved Property	26 976	18 440
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Repairs and Maintenance	26 976	18 440
3.4 Investment Property which is in the process of being constructed or developed:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
3.5 Investment Property that is taking a significantly longer period of time to complete than expected:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
3.6 Investment Property where construction or development has been halted:		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
The cost model in terms of GRAP 16 is being applied on Investment Property.		
There are no assets pledged as security for liabilities		
Cost at implementation of GRAP 16 was determined by valuation roll of 1 July 2009. Impairment was calculated based on valuation roll of 1 July 2018.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Estimate Fair Value of Investment Property at 30 June	13 262 000	11 609 924

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
4. INTANGIBLE ASSETS		
Computer System & Software		
4.1 Net Carrying amount at 1 July	514 895	470 701
Cost	1 724 419	1 493 079
Accumulated Amortisation	(1 209 524)	(1 022 378)
Additions	11 930	231 340
Amortisation	(126 766)	(187 146)
Net Carrying amount at 30 June	400 060	514 895
Cost	1 736 349	1 724 419
Accumulated Amortisation	(1 336 290)	(1 209 524)
4.2 Research and Development Costs:		
Research Expenditure	-	-
Development Expenditure	-	-
Total Research and Development Expenditure	-	-
4.3 Intangible Assets which is in the process of being constructed or developed:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
4.4 Intangible Assets that is taking a significantly longer period of time to complete than expected:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
4.5 Intangible Assets where construction or development has been halted:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total	-	-
<i>Document reasons for halting construction or development and indicate whether any impairment losses have been recognised in relation to these assets.</i>		
Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:		
Computer software	-	-
Accumulated amortisation on computer software	-	-
	-	-
4.6 Material Intangible Assets included in the carrying value:		
No intangible asset were assed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There age no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
5. CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	249 416	205 747
Cost	4 201 754	4 174 500
Accumulated Depreciation	(3 695 970)	(3 683 165)
Accumulated Impairments	(256 368)	(285 588)
Additions/(Change in estimate)	(159 709)	27 254
Depreciation for the year	(22 327)	(12 805)
Reversal of Impairment/(Impairment)	(15 411)	29 220
Net Carrying amount at 30 June	51 969	249 416
Cost	4 042 045	4 201 754
Accumulated Depreciation	(3 718 297)	(3 695 970)
Accumulated Impairments	(271 779)	(256 368)

6. HERITAGE ASSETS		
Net Carrying amount at 1 July	5 225 000	5 225 000
Cost	5 225 000	5 225 000
Net Carrying amount at 30 June	5 225 000	5 225 000
Cost	5 225 000	5 225 000

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

7. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	2 480 243	2 004 608
	2 480 243	2 004 608
Less: Current portion transferred to Receivables from Exchange Transactions	(618 311)	(503 227)
Total Non-Current Receivables from Exchange Transactions	1 861 932	1 501 381

ARRANGEMENTS

Municipal account holders can make arrangements with the Municipality, agreeing to pay the outstanding accounts over a predetermined period at a fixed monthly instalment. When a monthly instalment is not paid, the account is transferred back to Trade receivables where it will be included in the calculation of Provision for Impairment.

	2018 R	2017 R
8. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Housing Selling Schemes - At amortised cost	461 643	461 643
Receivables with repay arrangements - At amortised cost	537 813	505 535
	999 456	967 178
Less: Current portion transferred to Receivables from Non-Exchange Transactions	(166 386)	(150 326)
Total Non-Current Receivables from Non-Exchange Transactions	833 070	816 852

HOUSING SELLING SCHEME

The outstanding amount relates to prior years and is still collectable. General public were entitled to housing loans which attract interest at 13,5% per annum and which are repayable over a maximum period of 30 years. These loans are repayable in the year 2026.

ARRANGEMENTS

Municipal account holders can make arrangements with the Municipality, agreeing to pay the outstanding accounts over a predetermined period at a fixed monthly instalment. When a monthly instalment is not paid, the account is transferred back to Trade receivables where it will be included in the calculation of Provision for Impairment.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
9. OPERATING LEASE ARRANGEMENTS		
9.1 The Municipality as Lessor		
Operating Lease Asset	25 439	58 988
<u>Disclosed as follows:</u>		
Current Operating Lease Asset	25 439	58 988
	25 439	58 988
Reconciliation		
Balance at the beginning of the year	58 988	53 002
Correction of Error - Note 48.2	-	2 026
Movement during the year	(33 549)	3 960
Balance at the end of the year	25 439	58 988
Beaufort West Municipality is leasing land to rate payers for periods of 24 to 119 months with various escalations per year. The leases are in respect of land being leased out for a period until 2019.		
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease income as follows:		
Up to 1 Year	546 858	851 721
1 to 5 Years	233 508	773 931
More than 5 Years	163 796	170 230
Total Operating Lease Arrangements	944 162	1 795 882
The lease income was determined from contracts that have a specific conditional income and does not included lease income which has a undetermined conditional income.		
10. INVENTORY		
Consumables - Stationary and material - At cost	3 513 997	3 202 306
Water - at cost	57 388	127 316
Total Inventory	3 571 385	3 329 622
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
No inventories were pledged as security for liabilities.		
11. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	11 295 942	12 151 878
Water	9 057 566	7 535 807
Property Rentals	63 322	213 305
Waste Management	8 216 936	7 395 899
Waste Water Management	14 089 888	11 583 712
Total Service Receivables	42 723 653	38 880 601
Less: Provision for Debt Impairment	(26 427 348)	(23 853 820)
Net Service Receivables	16 296 305	15 026 781
Other Arrears	34 846 799	30 053 813
Total: Receivables from exchange transactions (before provision)	34 846 799	30 053 813
Less: Provision for Debt Impairment	(34 780 757)	(27 816 720)
Total: Receivables from exchange transactions (after provision)	66 042	2 237 093
Total Net Receivables from Exchange Transactions	16 362 347	17 263 873
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	8 619 605	9 163 571
31 - 60 Days	321 074	403 368
61 - 90 Days	106 868	74 791
+ 90 Days	2 248 395	2 510 148
Total	11 295 942	12 151 878
<u>(Water): Ageing</u>		
Current (0 - 30 days)	3 278 524	3 192 646
31 - 60 Days	377 539	472 349
61 - 90 Days	208 347	430 835
+ 90 Days	5 193 156	3 439 978
Total	9 057 566	7 535 807
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	4 009	5 142
31 - 60 Days	1 350	836
61 - 90 Days	1 126	836
+ 90 Days	56 837	206 492
Total	63 322	213 305
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	667 971	612 297
31 - 60 Days	306 611	276 636
61 - 90 Days	281 197	242 910
+ 90 Days	6 961 157	6 264 056
Total	8 216 936	7 395 899
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	1 222 222	1 123 746
31 - 60 Days	534 550	471 771
61 - 90 Days	466 526	401 371
+ 90 Days	11 866 590	9 586 824
Total	14 089 888	11 583 712
<u>(Other): Ageing</u>		
Current (0 - 30 days)	838 709	767 448
31 - 60 Days	2 604 381	2 225 690
61 - 90 Days	1 372 034	1 068 838
+ 90 Days	30 031 675	25 991 837
Total	34 846 799	30 053 813
<u>(Total): Ageing</u>		
Current (0 - 30 days)	14 631 040	14 864 850
31 - 60 Days	4 145 504	3 850 649
61 - 90 Days	2 436 098	2 219 580
+ 90 Days	56 357 810	47 999 334
Total	77 570 452	68 934 414

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Summary of Debtors by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2018				
Current (0 - 30 days)	145 886	19 755 515	2 947 492	1 228 621
31 - 60 Days	37 713	1 744 514	2 149 677	213 600
61 - 90 Days	26 808	2 213 492	105 500	90 298
+ 90 Days	780 551	50 608 505	3 423 530	1 545 224
Sub-total	990 958	74 322 026	8 626 199	3 077 744
Less: Provision for Debt Impairment	(805 337)	(54 780 415)	(5 622 353)	-
Total debtors by customer classification	185 621	19 541 611	3 003 846	3 077 744

Summary of Debtors by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2017				
Current (0 - 30 days)	155 989	10 376 915	2 179 480	2 575 536
31 - 60 Days	24 780	3 251 494	402 773	171 308
61 - 90 Days	7 443	1 842 227	294 628	75 283
+ 90 Days	763 981	40 703 119	3 584 884	2 524 572
Sub-total	952 194	56 173 756	6 461 765	5 346 699
Less: Provision for Debt Impairment	(606 634)	(46 653 714)	(4 250 089)	-
Total debtors by customer classification	345 560	9 520 041	2 211 676	5 346 699

Reconciliation of Provision for Debt Impairment

	2018 R	2017 R
Balance at beginning of year	51 510 437	45 517 717
Contribution to provision	7 530 773	5 992 720
VAT on provision	7 799 131	
Reversal of provision	(5 632 236)	
Balance at end of year	61 208 106	51 510 437

The total amount of this provision is R61 208 106 and consist of:

	2018 R	2017 R
Services	26 427 348	23 803 012
Other Debtors	34 780 757	27 707 425
Total Provision for Debt Impairment on Receivables from exchange transactions	61 208 106	51 510 437

Ageing of amounts past due but not impaired:

	2018 R	2017 R
1 month past due	292 802	189 376
2+ months past due	1 652 409	2 803 553
	1 945 211	2 992 930

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	21 452 988	13 770 222
Fines	128 782 626	99 191 306
Other Receivables	614 763	155 580
	150 850 377	113 117 108
<u>Less:</u> Provision for Debt Impairment	(121 669 991)	(92 736 924)
Total Receivables from non-exchange transactions	29 180 386	20 380 184

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Debtors with a total outstanding balance of Rxxx xxx (2017 - Rxxx xxx) have arranged to settle their account over an re-negotiated period. Total payments to the value of Rxxx xxx (2017 - Rxxx xxx) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

	2018 R	2017 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2 017 712	1 611 256
31 - 60 Days	721 334	684 100
61 - 90 Days	590 229	452 021
+ 90 Days	18 123 713	11 022 845
Total	21 452 988	13 770 222
<u>(Other Receivables): Ageing</u>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	128 782 626	99 191 306
Total	128 782 626	99 191 306

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Summary of Debtors (Rates) by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2018				
Current (0 - 30 days)	43 645	1 406 300	500 105	67 661
31 - 60 Days	19 613	442 177	198 455	61 089
61 - 90 Days	16 809	390 778	123 936	58 706
+ 90 Days	1 330 651	12 996 399	1 894 575	1 902 088
Sub-total	1 410 718	15 235 655	2 717 071	2 089 545
Less: Provision for Debt Impairment	(1 357 739)	(9 338 175)	(2 135 140)	-
Total debtors by customer classification	52 978	5 897 479	581 931	2 089 545

Summary of Debtors (Rates) by Customer Classification

	<u>Other</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2017				R
Current (0 - 30 days)	43 319	1 199 441	336 990	31 506
31 - 60 Days	20 011	567 423	70 481	26 185
61 - 90 Days	7 130	364 398	62 013	18 480
+ 90 Days	1 191 385	6 682 938	2 585 589	562 933
Sub-total	1 261 845	8 814 200	3 055 073	639 104
Less: Provision for Debt Impairment	(1 191 327)	(7 881 426)	(2 759 372)	-
Total debtors by customer classification	70 518	932 774	295 701	639 104

	2018 R	2017 R
Reconciliation of Provision for Debt Impairment (Trade Receivables from non-exchange and exchange transactions)		
Balance at beginning of year	144 228 393	92 252 205
Contribution to provision	44 281 940	55 571 968
VAT contributions to provision	-	735 948
Doubtful debts written off against provision	(5 632 236)	(4 331 728)
Balance at end of year	182 878 097	144 228 393

The total amount of this provision (Trade Receivables from non-exchange transactions) consist of:

Taxes	12 831 055	11 832 125
Fines	108 838 937	80 904 799
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	121 669 991	92 736 924

Ageing of amounts past due but not impaired (Trade Receivables from non-exchange transactions):

1 month past due	152 248	(8 128)
2+ months past due	1 960 794	601 636
	2 113 043	593 508

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
13. BANK ACCOUNTS		
13.1 <u>Cash and Cash Equivalents</u>		
Current Accounts	356 816	-
Call Deposits and Investments	12 283 083	6 919 336
Cash On-hand	6 270	6 270
Total Cash and Cash Equivalents - Assets	12 646 169	6 925 606
13.2 <u>Liabilities</u>		
Current Accounts	(7 792 004)	(288 119)
Total Cash and Cash Equivalents - Liabilities	(7 792 004)	(288 119)

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R3 367 018 are held to fund the Unspent Conditional Grants (2017: R6 919 336).

Bank overdraft of R8 000 000 exists at Nedbank and the Municipality has a facility of R 854 000 for Fleet Cards at Nedbank.

The municipality has the following bank accounts:

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):	(7 792 004)	(288 119)
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	356 816	-
	(7 435 188)	(288 119)

Call Deposits and Investments

Investec	817 322	80 683
ABSA	878 486	1 813 450
Standard Bank	2 655 530	976 014
Nedbank	8 027 822	4 049 190
	12 379 160	6 919 337

Details of current accounts are as follow:

Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account):

Cash book balance at beginning of year	(288 119)	(1 480 939)
Cash book balance at end of year	(7 792 004)	(288 119)
Bank statement balance at beginning of year Nedbank-Account Number 10 7428 0318	(1 001 975)	(1 166 224)
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	-	(150 182)
Bank Accounts balance at beginning of year	(1 001 975)	(1 316 405)
Bank statement balance at end of year Nedbank-Account Number 10 7428 0318	(7 504 267)	(1 001 975)
Bank statement balance at end of year ABSA-Account Number 405 0538 936	356 816	-
Bank Accounts balance at end of year	(7 147 451)	(1 001 975)
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	356 816	-
Bank statement balance at beginning of year ABSA-Account Number 405 0538 936	-	-
Bank statement balance at end of year ABSA-Account Number 405 0538 936	356 816	-

Details of call investment accounts are as follow:

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Investec		
Cash book balance at beginning of year	80 683	4 536 535
Cash book balance at end of year	817 322	80 683
Bank statement balance at beginning of year	80 683	4 536 535
Bank statement balance at end of year	817 322	80 683
Absa		
Cash book balance at beginning of year	1 813 450	5 034 228
Cash book balance at end of year	878 486	1 813 450
Bank statement balance at beginning of year	1 813 450	5 034 228
Bank statement balance at end of year	878 486	1 813 450
Standard bank		
Cash book balance at beginning of year	976 014	3 895 843
Cash book balance at end of year	2 655 530	976 014
Bank statement balance at beginning of year	976 014	3 895 843
Bank statement balance at end of year	2 655 530	976 014
Nedbank		
Cash book balance at beginning of year	4 049 190	4 570 662
Cash book balance at end of year	8 027 822	4 049 190
Bank statement balance at beginning of year	4 049 190	4 570 662
Bank statement balance at end of year	8 027 822	4 049 190
	2018 R	2017 R
14. LONG-TERM BORROWINGS		
Annuity Loans - At amortised cost	9 415 979	10 789 666
Capitalised Lease Liability - At amortised cost	3 794 839	5 834 242
	13 210 818	16 623 908
Less: Current Portion transferred to Current Liabilities	(4 194 300)	(3 875 555)
Annuity Loans - At amortised cost	(1 525 057)	(1 376 257)
Capitalised Lease Liability - At amortised cost	(2 669 243)	(2 499 298)
Total Long-term Borrowings	9 016 518	12 748 353
Annuity loans at amortised cost is calculated at 6.75%-14.00% interest rate, with last maturity date of 31 December 2029. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.		
Finance Lease loans at amortised cost is calculated at 8.50%-10.50% interest rate, with last maturity date of 15 February 2020. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.		
	2018 R	2017 R
14.1 The obligations under annuity loans are scheduled below:	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	2 422 439	2 717 272
Payable within two to five years	5 853 581	6 769 141
Payable after five years	6 287 707	7 482 578
	14 563 727	16 968 990
Less: Future finance obligations	(5 147 748)	(6 179 324)
Present value of annuity loans obligations	9 415 979	10 789 666

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15. NON-CURRENT PROVISIONS	2018 R	2017 R
Provision for Rehabilitation of Landfill-sites	22 062 433	21 377 863
Total Non-current Provisions	22 062 433	21 377 863

The rehabilitation cost provision is for the rehabilitation of four landfill sites in the Beaufort West region. It is required from the municipality to execute an environmental management program to restore the landfill sites after its useful life. Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at the estimated decommission dates listed below.

15.1 Landfill Sites		
Balance 1 July	26 986 726	25 314 058
Increase in estimate	(883 722)	27 254
Unwinding of discounted interest	1 673 547	1 645 414
Total provision 30 June	27 776 551	26 986 726
Less: Transfer of Current Portion to Current Provisions - Note 18	(5 714 119)	(5 608 863)
Balance 30 June	22 062 433	21 377 863

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs.

	Beaufort West	Nelspoort	Murraysburg	Merweville
Preliminary and General (Rand)	1 414 016.88	306 732.30	509 524.91	222 012.28
Site Clearance and Preparation (R2.95/m²)	129 696.75	16 950.70	35 756.95	14 151.15
Storm Water Control Measures (Rand)	1 610 047.83	851 539.55	1 066 683.57	522 555.14
Capping (Rand)	7 940 195.96	1 068 416.05	2 222 691.18	882 593.88
Leachate Management (Rand)	410 813.36	244 672.02	304 965.25	157 135.19
Fencing (Rand)	9 366.67	9 366.67	9 366.67	9 366.67

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Discount Rate used	2018 %	2017 %
Discount Rate used	5.56%	6.21%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a

Other assumptions:

	Beaufort West	Nelspoort	Murraysburg	Merweville
Area (m²)	43 965.00	5 746.00	12 121.00	4 797.00
Environmental Authorisation (Closure Licence) (Rand)	419 800.00	419 800.00	-	419 800.00
Technical ROD (Rand)	88 655.00	88 655.00	88 655.00	88 655.00
Install Groundwater Monitoring Boreholes with lockable caps (includes Landscape Architects (Rand)	272 719.02	211 397.66	266 193.17	217 557.94
Water use licence (Rand)	117 810.00	117 810.00	117 810.00	117 810.00
Topographical Survey (Rand)	17 427.58	17 427.58	17 427.58	17 427.58
Contingencies (Rand)	11 305.29	5 300.00	5 300.00	5 300.00
Engineering: Professional Fees (Rand)	1 151 413.75	249 767.73	414 898.85	180 781.43
Site Supervision (Engineer's Representative) (Rand)	949 916.34	206 058.38	342 291.55	149 144.68
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	331 649.33	104 807.00	255 214.30	171 460.60
	22 360.00	23 646.60	57 339.70	47 140.20

Location	Estimated	2018 R	2017 R
Beaufort West	2025	21 757 056	18 929 078
Murraysburg	2018	5 714 119	5 608 863
Nelspoort	2035	9 891 095	10 133 456
Merweville	2029	5 844 386	5 952 240
		43 206 656	40 623 637

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16.	NON-CURRENT EMPLOYEE BENEFITS	2018 R	2017 R
	Post Retirement Benefits	24 953 802	25 123 594
	Long Service Awards	4 035 030	3 673 892
	Pension Murraysburg	27 311	25 879
	Total Non-current Employee Benefits	29 016 143	28 823 365
	<u>Post Retirement Health Care Benefits</u>		
	Balance 1 July	26 068 660	26 955 108
	Contribution for the year	3 375 629	3 350 525
	Expenditure for the year	(892 419)	(894 599)
	Actuarial Loss/(Gain)	(2 474 041)	(3 342 374)
	Total provision 30 June	26 077 829	26 068 660
	Less: Transfer of Current Portion to Current Provisions - Note 19	(1 124 027)	(945 066)
	Balance 30 June	24 953 802	25 123 594
	<u>Pension Murraysburg</u>		
	Balance 1 July	25 879	24 781
	Expenditure for the year	1 432	1 098
	Balance 30 June	27 311	25 879
	<u>Long Service Awards</u>		
	Balance 1 July	4 273 463	4 044 630
	Contribution for the year	675 145	667 821
	Expenditure for the year	(733 947)	(371 995)
	Actuarial Loss/(Gain)	209 326	(66 993)
	Total provision 30 June	4 423 987	4 273 463
	Less: Transfer of Current Portion to Current Provisions - Note 19	(388 957)	(599 571)
	Balance 30 June	4 035 030	3 673 892
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	30 368 002	31 024 519
	Contribution for the year	4 050 774	4 018 346
	Expenditure for the year	(1 624 934)	(1 265 496)
	Actuarial Loss/(Gain)	(2 264 715)	(3 409 367)
	Total employee benefits 30 June	30 529 127	30 368 002
	Less: Transfer of Current Portion to Current Provisions - Note 19	(1 512 984)	(1 544 637)
	Balance 30 June	29 016 143	28 823 365
		2018 R	2017 R
16.1	Provision for Post Retirement Health Care Benefits		
	The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	54	55
	In-service (employee) non-members	324	313
	Continuation members (e.g. Retirees, widows, orphans)	32	28
	Total Members	410	396
		2018 R	2017 R
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	8 681 567	10 352 558
	In-service non-members	3 168 082	3 028 138
	Continuation members (e.g. Retirees, widows, orphans)	14 228 180	12 687 964
	Total Liability	26 077 829	26 068 660

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
	R	R	R
In-service members	11 420 656	10 307 427	8 824 030
In-service non-members	3 040 795	2 809 035	2 666 600
Continuation members	12 493 657	12 030 875	12 050 547
Total Liability	26 955 108	25 147 337	23 541 177

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R971 916, whereas the Interest Cost for the next year is estimated to be R2 435 430.

	2018	2017
	%	%
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.54%	9.69%
Health Care Cost Inflation Rate	7.34%	7.97%
Net Effective Discount Rate	2.05%	1.60%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.		
iv) Expected rate of salary increases		
2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent		
The three-year Salary and Wage Collective Agreement ends on 30 June 2018.		

	2018	2017
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	26 077 829	26 068 660
Net liability/(asset)	26 077 829	26 068 660
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26 068 660	26 955 108
Total expenses	2 483 210	2 455 926
Current service cost	893 091	948 164
Interest Cost	2 482 538	2 402 361
Benefits Paid	(892 419)	(894 599)
Actuarial (gains)/losses	(2 474 041)	(3 342 374)
Present value of fund obligation at the end of the year	26 077 829	26 068 660
Less: Transfer of Current Portion - Note 19	(1 124 027)	(945 066)
Balance 30 June	24 953 802	25 123 594

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

			2018 R	2017 R
Sensitivity Analysis on the Accrued Liability on 30 June 2018				
		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption				
Central Assumptions		11.850	14.228	26.078
The effect of movements in the assumptions are as follows:				
	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption				% change
Health care inflation	1%	14.363	15.657	30.019
Health care inflation	-1%	9.853	12.992	22.845
Discount rate	1%	9.905	13.025	22.930
Discount rate	-1%	14.332	15.640	29.971
Post-retirement mortality	-1 year	12.207	14.745	26.953
Average retirement age	-1 year	12.965	14.228	27.193
Continuation of membership at retirement	-10%	7.856	14.228	22.084

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

		Current Service Cost (R)	Interest Cost (R)	Total (R)	
Assumption					
Central Assumptions		971,900	2,435,400	3,407,300	
The effect of movements in the assumptions are as follows:					
	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	1,198,500	2,811,200	4,009,700	18%
Health care inflation	-1%	794,300	2,127,300	2,921,600	-14%
Discount rate	1%	806,200	2,359,100	3,165,300	-7%
Discount rate	-1%	1,184,800	2,512,500	3,697,300	9%
Post-retirement mortality	-1 year	1,001,100	2,518,900	3,520,000	3%
Average retirement age	-1 year	1,041,000	2,541,800	3,582,800	5%
Continuation of membership at retirement	-10%	580,700	2,054,500	2,635,200	-23%

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(0.698)	(0.018)
Assets: Gain / (loss)		-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	(0.427)	(0.104)	1.004
Assets: Gain / (loss)	-	-	-

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end the following number of employees were eligible for Long Service Bonuses.

2018 R	2017 R
378	368

Key actuarial assumptions used:

2018 %	2017 %
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i) Rate of interest

Discount rate	8.52%	8.40%
General Salary Inflation (long-term)	6.14%	6.22%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24%	2.05%

2018 R	2017 R
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	4 423 987	4 273 463
	<u>4 423 987</u>	<u>4 273 463</u>
Net liability/(asset)	<u>4 423 987</u>	<u>4 273 463</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	4 273 463	4 044 630
Total expenses	(58 802)	295 826
Current service cost	340 800	334 569
Interest Cost	334 345	333 252
Benefits Paid	(733 947)	(371 995)
Actuarial (gains)/losses	209 326	(66 993)
Present value of fund obligation at the end of the year	<u>4 423 987</u>	<u>4 273 463</u>
Less: Transfer of Current Portion - Note 19	(388 957)	(599 571)
Balance 30 June	<u>4 035 030</u>	<u>3 673 892</u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Present value of fund obligations	4 044 630	3 826 752	3 568 981

Total Liability

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	Change	Liability (Rm)	% change
Central assumptions		4.424	
General earnings inflation	1%	4.701	6%
General earnings inflation	-1%	4.172	-6%
Discount rate	1%	4.164	-6%
Discount rate	-1%	4.715	7%
Average retirement age	-2 yrs	3.769	-15%
Average retirement age	2 yrs	5.241	18%
Withdrawal rates	-50%	5.151	16%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumptions		375,000	360,700	735,700	
General earnings inflation	1%	406,000	384,300	790,300	7%
General earnings inflation	-1%	347,400	339,200	686,600	-7%
Discount rate	1%	350,000	378,300	728,300	-1%
Discount rate	-1%	403,500	340,200	743,700	1%
Average retirement age	-2 yrs	326,300	304,800	631,100	-14%
Average retirement age	2 yrs	432,800	430,300	863,100	17%
Withdrawal Rate	-50%	478,500	422,600	901,100	22%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 Rm	2017 Rm
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss			
Assets: Gain / (loss)		263 943	540 601
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss			
Assets: Gain / (loss)	33 820	133 705	(124 179)
		2018 R	2017 R
16.3 Retirement funds			

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 153,1% (30 June 2014 - 101,7%).

Contributions paid recognised in the Statement of Financial Performance

2018 R	2017 R
8 132 640	7 329 288

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance

69 412	63 197
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SALA PENSION FUND

The contribution rate payable is 8.60% by members and 20.78% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance

1 037 037	1 123 952
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SAMWU PROVIDENT FUND

The contribution rate payable is 7.50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

Contributions paid recognised in the Statement of Financial Performance

500 465	538 961
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BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17. CONSUMER DEPOSITS	2018 R	2017 R
Electricity	1 161 819	1 252 489
Rental Properties	115 408	103 582
Water	252 190	244 361
Posters	8 050	7 800
Total Consumer Deposits	1 537 467	1 608 232

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

18. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 15	5 714 119	5 608 863
Total Provisions	5 714 119	5 608 863

19. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	631 866	614 337
Staff Bonuses	2 598 110	2 251 875
Staff Leave	4 982 220	5 097 439
Current Portion of Non-Current Provisions	1 512 984	1 544 637
Current Portion of Post Retirement Benefits - Note 16	1 124 027	945 066
Current Portion of Long-Service Provisions - Note 16	388 957	599 571
Total Provisions	9 725 180	9 508 288

The movement in current provisions are reconciled as follows:

19.1 <u>Performance Bonuses</u>		
Balance at beginning of year	614 337	593 065
Contribution to current portion	17 528	509 196
Expenditure incurred		(487 923)
Balance at end of year	631 866	614 337

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
19.2 <u>Staff Bonuses</u>		
Balance at beginning of year	2 251 875	2 004 896
Contribution to current portion	4 654 936	4 134 649
Expenditure incurred	(4 308 701)	(3 887 670)
Balance at end of year	2 598 110	2 251 875.00

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

19.3 <u>Staff Leave</u>		
Balance at beginning of year	5 097 439	4 635 616
Contribution to current portion	328 262	1 270 117
Expenditure incurred	(443 481)	(808 294)
Balance at end of year	4 982 220	5 097 439

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

19.4 <u>Shortfall in Cape Joint Pension Fund</u>		
Balance at beginning of year	-	-
Transfer from non-current		
Contribution to current portion		
Expenditure incurred		
Balance at end of year	-	-

Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 17 to the Financial Statements.

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Payments received in advance	511 072	206 955
Pensionfund SALA	524 084	944 084
Receivable accounts with credit balances	4 043 284	4 668 148
Retentions	2 193 279	1 759 816
Sundry creditors	3 975 685	2 692 880
Sundry deposits	1 724 897	1 597 735
Trade Payables	40 666 964	19 240 394
Total Trade Payables	53 639 264	31 110 012
Less: Transfer to Non-current Trade and Other Payables from Exchange Transactions	(104 084)	(524 084)
Balance 30 June - Current Trade and Other Payables from Exchange Transactions	53 535 180	30 585 928

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	3 379 953	13 726 438
National Government Grants	111 542	11 835 155
Provincial Government Grants	3 268 411	1 891 283
Previously reported	-	1 819 028
Plus: Correction of error Note 48.4	-	72 256
Less: Unpaid Transfers and Subsidies	(12 935)	(6 008)
Provincial Government Grants	(12 935)	(6 008)
Total Unspent Transfers and Subsidies	3 367 018	13 720 430

The Unspent Grants are cash-backed by term deposits or kept in the primary bank account of the municipality. Please note that the primary bank account of the municipality has a R8 million overdraft facility. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. Grants amounting to R112 708 were withheld.

Amount available in short term investment deposits	3 367 018	6 919 336
Amount available in the overdraft facility of the primary bank account	-	6 801 094
Available Cash for Unspent Conditional Grants and Receipts	3 367 018	13 720 430

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

22. TAXES		
22.1 VAT Payable	(827 179)	(258 110)
VAT Output in Suspense	(942 259)	(1 617 047)
Less: Contribution to Provision for Doubtful Debt Impairment	7 196 703	6 325 843
Total VAT Payable	5 427 265	4 450 686
22.2 VAT Receivable	6 833 275	1 614 863
VAT Input in Suspense	-	-
Total VAT Receivable	6 833 275	1 614 863
22.3 Net VAT (Payable)/Receivable	12 260 539	6 065 549

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

23. SHORT-TERM BORROWINGS

The Municipality has no short term borrowings.

24. NET ASSET RESERVES

RESERVES	4 488 754	7 653 477
Capital Replacement Reserve	-	3 245 451
Housing Development Fund	3 789 481	3 781 402
Self Insurance Reserve	699 274	626 624
Total Net Asset Reserve and Liabilities	4 488 754	7 653 477

24.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

24.2

The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

24.3 The Self Insurance Reserve is used to finance future insurance claims.

The above balances are represented by cash of R1 487 147 for the current year and R0 (2017) and is invested together with the other investments of the municipality (See Note 59)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
25. PROPERTY RATES		
<u>Valuations - 1 July 2017</u>		
Rateable Land and Buildings	4 829 994 868	3 529 006 490
Business and Commercial Property	391 219 000	269 765 740
Municipal Properties	210 811 268	214 723 700
National Monument Properties	5 870 000	-
Public Benefit Organisations	2 520 000	-
Public Service Infrastructure Properties	1 661 100	40 440 100
Residential Properties	1 031 122 000	1 127 740 880
State-owned Properties	259 705 000	97 923 800
Agricultural Property	2 778 213 500	1 695 187 020
Other Categories	148 873 000	83 225 250
Total Property Rates	4 829 994 868	3 529 006 490
 <u>Actual</u>		
Rateable Land and Buildings	44 019 944	31 469 401
Business and Commercial Property	8 763 306	-
National Monument Properties	131 488	-
Public Service Infrastructure Properties	2 658	-
Residential Properties	20 414 817	-
State-owned Properties	4 952 954	-
Agricultural Property	8 890 283	-
Other Categories - schools	864 438	-
Other Categories - building clause		31 469 401
Less: Revenue Forgone	(10 144 296)	(3 147 539)
Total Assessment Rates	33 875 648	28 321 862
 Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.		
 Basic Rate		
Residential	0.016c/R	1.6c/R
Commercial	0.0224c/R	1.8c/R
Agricultural	0.0032c/R	2.0c/R
PSI	0.0016c/R	

Rates are levied annually and monthly. Monthly rates are payable by the 12th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R19 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	76 283 700	62 565 670
Equitable Share	51 060 000	46 569 000
Energy Efficiency and Demand Side Management	5 973 273	-
Expanded Public Works Programme Integrated Grant	1 574 186	1 617 000
Local Government Financial Management Grant	1 700 000	1 608 624
Provincial Treasury : Financial Management Support Grant	2 330 000	1 034 494
Department of Transport and Public Works : Maintenance and Constructuion of Transport Infrastructure	4 834 053	-
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	-	-
Department of Local Government : Municipal Service Delivery and Capacity Building Grant	400 000	-
Provincial Treasury : Financial Management Capacity Building Grant	65 827	-
Municipal Infrastructure Grant	148 151	-
Municipal Infrastructure Grant - PMU	300 000	269 899
Libraries, Archives and Museums	5 014 421	4 901 018
Municipal Infrastructure Support Grant	-	392 256
Department of Local Government : Municipal Drought Relief Grant	507 566	-
Community Development Workers (CDW) operational support grant	228 420	157 245
Human settlements development grant (Beneficiaries) - Housing	429 155	6 016 134
Human Settlements Development Grant - Tile Deeds Restoration	-	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)	1 718 649	-
Government Grants and Subsidies - Capital	77 717 305	44 614 123
Integrated National Electrification Programme Grant	6 600 000	4 500 000
Local Government Financial Management Grant	-	16 376
Municipal Infrastructure Grant	13 691 848	13 729 946
Department of Local Government : Municipal Drought Relief Grant	4 627 312	-
Department Rural Development and Land Reform	22 985 715	-
Department Local Government : Internship Programme	-	-
Human settlements development grant (Beneficiaries) - Housing	22 915 750	26 016 926
Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)	6 141 040	-
Department of Local Government : Fire Service Capacity Building Grant	674 966	-
Libraries, Archives and Museums	25 350	66 587
Community Development Workers (CDW) operational support grant	55 323	-
Municipal Infrastructure Support Grant	-	284 287
Development of Sport and recreation facilities	-	-
Total Government Grants and Subsidies	154 001 005	107 179 792
Included in above are the following grants and subsidies received:		
<u>Unconditional</u>	51 060 000	46 569 000
Equitable Share	51 060 000	46 569 000
<u>Conditional</u>	104 269 001	73 461 974
Energy Efficiency and Demand Side Management	6 000 000	-
Expanded Public Works Programme Integrated Grant	1 659 000	1 617 000
Local Government Financial Management Grant	1 700 000	1 625 000
Provincial Treasury : Financial Management Support Grant	2 770 000	1 034 494
Department of Transport and Public Works : Maintenance and Constructuion of Transport Infrastructure	4 834 053	-
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	330 000	-
Department of Local Government : Municipal Service Delivery and Capacity Building Grant	480 000	-
Libraries, Archives and Museums	5 109 619	4 800 000
Community Development Workers (CDW) operational support grant	204 000	206 000
Human Settlements Development Grant - Tile Deeds Restoration	696 000	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)	1 015 000	-
Integrated National Electrification Programme Grant	6 600 000	4 500 000
Municipal Infrastructure Grant	14 139 999	25 835 000
Department of Local Government : Municipal Drought Relief Grant	5 300 000	-
Department Rural Development and Land Reform	22 985 715	-
Department Local Government : Internship Programme	-	60 000
Human settlements development grant (Beneficiaries) - Housing	23 345 615	32 934 480
Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)	6 300 000	-
Department of Local Government : Fire Service Capacity Building Grant	800 000	-
Western Cape Management Support Grant	-	340 000
Development of Sport and recreation facilities	-	510 000
Total Government Grants and Subsidies	155 329 001	120 030 974
Government Grants and Subsidies - Capital	77 717 305	44 614 123
Government Grants and Subsidies - Operating	76 283 700	62 565 670
	154 001 005	107 179 792

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	51 060 000	46 569 000
Executive and Council	31 621 587	31 851 487
Corporate services	-	-
Community and social services	5 372 926	5 268 493
Finance and administration	2 532 126	3 651 379
Planning and development	300 000	290 459
Road transport	11 098 069	10 656 640
Sport and recreation	5 597 171	1 847 962
Waste water management	24 549 819	26 692 249
Housing	2 147 803	6 016 134
Waste management	1 713 485	1 786 830
Public safety	674 966	-
Energy sources	16 861 033	10 919 047
Water management	51 532 019	8 199 113
Total Government Grants and Subsidies	154 001 005	107 179 792

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

	2018 R	2017 R
26.1 Equitable Share		
Opening balance	-	-
Grants received	51 060 000	46 569 000
Conditions met - Operating	(51 060 000)	(46 569 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned

See Appendix D & note 22 for a reconciliation of all grants.

	2018 R	2017 R
26.2 National Grants		
Opening balance	11 835 155	9 249 312
Grants received	104 144 714	33 577 000
Repaid to National Revenue Fund	(11 835 155)	(9 249 312)
Conditions met - Own Income	(6 350 049)	(2 351 421)
Conditions met - Operating	(59 838 043)	(3 342 329)
Conditions met - Capital	(37 845 081)	(16 048 094)
Conditions still to be met	111 542	11 835 155

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26.3 Provincial Grants		
Opening balance	1 891 283	1 842 455
Grants received	51 184 287	38 850 480
Interest received	305 188	263 669
Repaid to National Revenue Fund	(157 450)	(196 372)
Conditions met - Own Income	(462 292)	(218 923)
Conditions met - Operating	(15 283 903)	(12 317 137)
Previously reported		(12 389 393)
Less: Correction of error		72 256
Conditions met - Capital	(34 221 637)	(26 332 888)
Conditions still to be met	3 255 476	1 891 283
26.4 Local Government Financial Management Grant		
Opening balance	-	-
Grants received	1 700 000	1 625 000
Conditions met - Own Income	(200 373)	(149 073)
Conditions met - Operating	(1 499 627)	(1 461 436)
Conditions met - Capital	-	(14 490)
Conditions still to be met	-	-
26.5 Energy Efficiency and Demand Side Management Grant		
Opening balance	-	-
Grants received	6 000 000	-
Conditions met - Own Income	(711 055)	-
Conditions met - Operating	(5 262 218)	-
Conditions still to be met	26 727	-
26.6 Municipal Systems Improvement Grant		
Opening balance	-	66 403
Repaid to National Revenue Fund	-	(66 403)
Conditions still to be met	-	-
26.7 Municipal Infrastructure Grant (MIG)		
Opening balance	11 835 155	1 523 892
Grants received	14 139 999	25 835 000
Repaid to National Revenue Fund	(11 835 155)	(1 523 892)
Conditions met - Own Income	(1 737 688)	(1 644 363)
Conditions met - Operating	(446 333)	(269 246)
Conditions met - Capital	(11 955 978)	(12 086 236)
Conditions still to be met	-	11 835 155
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
26.8 Integrated National Electrification Grant		
Opening balance	-	-
Grants received	6 600 000	-
Conditions met - Own Income	(860 870)	-
Conditions met - Capital	(5 739 130)	-
Conditions still to be met	-	-
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
26.9 Expanded Public Works Programme Integrated Grant		
Opening balance	-	-
Grants received	1 659 000	1 617 000
Conditions met - Own Income	(4 321)	(5 353)
Conditions met - Operating	(1 569 865)	(1 611 647)
Conditions still to be met	84 814	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26.10 <u>Department Rural Development and Land Reform</u>		
Opening balance	-	-
Grants received	22 985 715	-
Conditions met - Own Income	(2 835 743)	-
Conditions met - Capital	(20 149 973)	-
Conditions still to be met	-	-
26.11 <u>Human settlements development grant (Beneficiaries) - Housing</u>		
Opening balance	-	-
Correction of Error	-	(834 085)
Grants received	23 345 615	32 934 480
Interest received	-	4 921
Conditions met - Operating	(429 155)	(6 088 389)
Conditions met - Capital	(22 915 750)	(26 016 926)
Conditions still to be met	710	-
The Housing grant was utilised for the development of erven and the erection of top structures.		
26.12 <u>Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)</u>		
Opening balance	906 341	-
Correction of Error	-	906 341
Grants received	1 015 000	-
Interest received	24 791	-
Conditions met - own income	(24 802)	-
Conditions met - Operating	(1 693 846)	-
Conditions still to be met	227 484	906 341
Give brief description of the grant		
26.13 <u>Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)</u>		
Opening balance	-	-
Grants received	6 300 000	-
Interest received	44 911	-
Conditions met - Capital	(6 141 040)	-
Conditions still to be met	203 871	-
Give brief description of the grant		
26.14 <u>Human Settlements Development Grant - Tile Deeds Restoration</u>		
Opening balance	-	-
Grants received	696 000	-
Interest received	9 775	-
Conditions still to be met	705 775	-
Give brief description of the grant		
26.15 <u>Provincial Treasury : Financial Management Capacity Building Grant</u>		
Opening balance	61 080	-
Grants received	-	60 000
Interest received	6 801	1 080
Transfer from Financial Management Support Grant	370 304	-
Conditions met - Operating	(65 827)	-
Conditions still to be met	372 357	61 080
Give brief description of the grant		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26.16 Provincial Treasury : Financial Management Support Grant		
Opening balance	279 610	910 948
Grants received	2 770 000	340 000
Interest received	41 615	65 520
Transfer to Financial Management Capacity Building Grant	(370 304)	-
Repaid to National Revenue Fund	(157 450)	(2 364)
Conditions met - own income	(210 680)	(133 902)
Conditions met - Operating	(2 119 320)	(900 593)
Conditions still to be met	<u>233 471</u>	<u>279 610</u>
<i>Give brief description of the grant</i>		
26.17 Department of Transport and Public Works : Maintenance and Constructuion of Transport Infrastructure		
Opening balance	-	-
Grants received	4 834 053	-
Conditions met - Operating	(4 834 053)	-
Conditions still to be met	<u>-</u>	<u>-</u>
<i>Give brief description of the grant</i>		
26.18 Department of Cultural Affairs and Sport : Library Service: Replacement Funding		
Opening balance	63 534	96 225
Grants received	5 109 619	4 800 000
Interest received	100 961	134 914
Conditions met - Operating	(5 014 421)	(4 901 018)
Conditions met - Capital	(25 350)	(66 587)
Conditions still to be met	<u>234 342</u>	<u>63 534</u>
<i>Give brief description of the grant</i>		
26.19 Department of Cultural Affairs and Sport : Development of Sport and Recreation Facilities		
Opening balance	522 254	357
Grants received	-	510 000
Interest received	28 611	11 897
Conditions still to be met	<u>550 866</u>	<u>522 254</u>
<i>Give brief description of the grant</i>		
26.20 Department of Local Government : Fire Service Capacity Building Grant		
Opening balance	-	-
Grants received	800 000	-
Interest received	29 040	-
Conditions met - own income	(84 048)	-
Conditions met - Capital	(590 918)	-
Conditions still to be met	<u>154 074</u>	<u>-</u>
<i>Give brief description of the grant</i>		
26.21 Department of Local Government : Community Development Workers (CDW) Operational Support Grant		
Opening balance	58 465	-
Grants received	204 000	206 000
Interest received	8 343	9 709
Conditions met - own income	(17 300)	(2 371)
Conditions met - Operating	(219 714)	(154 874)
Conditions met - Capital	(46 728)	-
Conditions still to be met	<u>(12 935)</u>	<u>58 465</u>
<i>Give brief description of the grant</i>		
26.22 Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)		
Opening balance	-	-
Grants received	330 000	-
Interest received	8 187	-
Conditions still to be met	<u>338 187</u>	<u>-</u>
<i>Give brief description of the grant</i>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
26.23 Department of Local Government : Municipal Drought Relief Grant		
Opening balance	-	-
Grants received	5 300 000	-
Conditions met - own income	(125 462)	-
Conditions met - Operating	(507 566)	-
Conditions met - Capital	(4 501 850)	-
Conditions still to be met	165 122	-
<i>Give brief description of the grant</i>		
26.24 Department of Local Government : Municipal Service Delivery and Capacity Building Grant		
Opening balance	-	-
Grants received	480 000	-
Interest received	2 152	-
Conditions met - Operating	(400 000)	-
Conditions still to be met	82 152	-
<i>Give brief description of the grant</i>		
26.25 Upgrading Elec Network Nelspoort		
Opening balance	-	154 439
Interest received	-	12 003
Repaid to National Revenue Fund	-	(166 442)
Conditions still to be met	-	-
<i>Give brief description of the grant</i>		
26.26 Total Grants		
Opening balance	13 726 439	2 752 264
Correction of Error	-	72 256
Grants received	155 329 001	114 496 480
Interest received	305 188	240 045
Repaid to National Revenue Fund	(11 992 605)	(1 759 101)
Conditions met - own income	(6 812 341)	(1 935 062)
Conditions met - Operating	(75 121 945)	(61 956 203)
Conditions met - Capital	(72 066 718)	(38 184 239)
Conditions still to be met/(Grant expenditure to be recovered)	3 367 018	13 726 439
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	3 379 953	13 726 438
Unpaid Conditional Government Grants and Receipts	(12 935)	(6 008)
Total	3 367 018	13 720 430
27. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Department of Public Safety	-	1 400 000
Department of Libraries	155 232	-
Total Contributed Property, Plant and Equipment	155 232	1 400 000
28. LICENCES AND PERMITS		
Road and Transport	329 726	367 514
Total Licences and Permits	329 726	367 514
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	41 964	37 868
Revenue from Exchange Transactions	287 763	329 646
Total Licences and Permits	329 726	367 514

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
29. SERVICE CHARGES		
Electricity	67 070 824	63 886 397
Service Charges	71 035 350	68 302 283
Less: Revenue Forgone	(3 964 526)	(4 415 885)
Water	18 787 685	18 523 695
Service Charges	30 629 110	28 465 163
Less: Revenue Forgone	(11 841 425)	(9 941 468)
Waste Management	7 412 818	6 952 732
Service Charges	8 488 301	7 939 013
Less: Revenue Forgone	(1 075 483)	(986 281)
Waste Water Management	14 150 841	13 175 246
Service Charges	17 634 155	16 404 270
Less: Revenue Forgone	(3 483 314)	(3 229 024)
Total Service Charges	107 422 169	102 538 070
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
30. SALES OF GOODS AND RENDERING OF SERVICES		
Building Plan Approval	141 819	139 926
Cemetery and Burial	299 894	209 602
Cleaning and Removal	2 974	2 664
Drainage Fees	36 261	44 369
Encroachment Fees	803	852
Entrance Fees	83 223	116 028
Immunisation Fees	5 756	6 792
Photocopies and Faxes	28 654	476 531
Sale of Goods	43 770	1 943
Scrap, Waste & Other Goods	-	125
Valuation Services	51 153	31 434
Contribution from CRR	-	1 200 000
Total Sales of Goods and Rendering of Services	694 306	2 230 267
31. RENTAL FROM FIXED ASSETS		
Heritage Assets		
Investment Property	641 283	821 036
Property, Plant and Equipment	494 153	385 037
Total Rental from Fixed Assets	1 135 436	1 206 073
32. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	760 817	1 338 736
Total Interest Earned - External Investments	760 817	1 338 736
33. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Long-term Receivables		
Trade Receivables	2 821 683	2 676 899
Other Receivables		
Total Interest Earned - Outstanding Receivables	2 821 683	2 676 899

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
34. OPERATIONAL REVENUE		
Commission of insurances	839 967	805 506
Seta Fees	-	382 256
Discounts and Early Settlements	1 105	7 949
Incidental Cash Surpluses	15 923	27 025
Inspection Fees	5 497	4 356
Insurance Refund	609 541	698 933
Merchandising, Jobbing and Contracts	-	799
Registration Fees	173 912	154 909
Request for Information	19	318
Sale of Property	-	97 830
Total Operational Revenue	1 645 965	2 179 882

35. EMPLOYEE RELATED COSTS		
Acting Allowance	1 455 249	1 574 180
Basic Salaries and Wages	66 781 759	59 925 242
Bonuses	4 654 937	4 134 646
Group Insurance	44 061	47 353
Housing Allowances	2 687 650	2 562 778
Medical Aid Contributions	1 544 490	1 409 346
Overtime	3 282 592	3 390 562
Payments in lieu of leave	328 262	1 270 117
Pension and UIF Contributions	10 187 237	9 593 704
Performance bonus	17 528	509 196
Scarcity allowance	231 219	86 715
Standby Allowances	1 525 878	1 414 937
Transport Allowances	359 316	462 932
Uniform Allowance	80 087	55 920
Post-retirement Benefit Obligations	1 248 891	1 280 557
Current Service Cost - Long Service Awards - Note 16.2	355 800	334 569
Current Service Cost - Medical - Note 16.1	893 091	945 988
Total Employee Related Costs	94 429 157	87 718 184

KEY MANAGEMENT PERSONNEL

The Municipal Manager and the CFO are appointed on 5-year fixed contracts and the Directors Electrical Services and Corporate Services are permanently employed.
There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - K.Haarhoff

Acting Allowance		
Basic Salary	668 488	-
Car Allowance	90 000	-
Cell Phone Allowance	20 000	-
Contributions, Medical and Pension Funds	46 522	-
Total	825 010	-

Prior year MM: J Booysen include acting period

Annual Remuneration	-	1 438 351
Performance Bonuses	-	150 830
Car Allowance	-	50 000
Contributions, Medical and Pension Funds	-	89 329
Leave pay-out	-	212 630
Acting allowance	-	30 941
Total	-	1 972 081

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Chief Financial Officer - Mr F. Sabbat		
Acting Allowance	-	19 179
Basic Salary	-	538 933
Car Allowance	-	136 929
Payments in lieu of leave	-	62 888
Performance Bonus	-	90 522
Total	-	848 450
Prior year director: F:Sabbat include acting period		
Remuneration of Acting Director : Financial Services: CJ Kymdell		
Acting Allowance	-	48 500
Basic Salary	853 740	291 333
Cell Phone Allowance	9 000	-
Motor Vehicle Allowance	88 000	32 000
Total	950 740	371 833
Acting period		
Remuneration of Director : Electrical Services: RE van Staden		
Acting Allowance	38 254	59 119
Basic Salary	812 608	770 244
Car Allowance	72 000	72 000
Contributions Medical and Pension Funds	142 745	134 512
Performance Bonus	-	75 475
Total	1 065 607	1 111 350
Remuneration of the Acting Director Community Services: RE Klink		
Acting Allowance		19 679
Basic Salary	541 540	-
Contributions, Medical and Pension Funds	95 588	87 371
Housing Allowances	-	2 226
Motor Vehicle Allowance	49 316	64 003
Payments in lieu of leave	-	41 121
Performance Bonus	-	545 718
Telephone	-	900
Total	686 444	761 018
Remuneration of the Acting Director Community Services: V Ruiters		
Acting Allowance	10 158	-
Total	10 158	
Remuneration of the Director Engineering Services: NL Kotze		
Basic Salary	679 587.46	-
Cell Phone Allowance	1 500.00	-
Motor Vehicle Allowance	10 284.12	-
Payments in lieu of leave	16 887.96	-
Total	708 260	-
Remuneration of the Director Engineering Services: JCL Smit		
Basic Salary	-	503 262
Contributions, Medical and Pension Funds	-	95 405
Long service awards	-	84 447
Motor Vehicle Allowance	-	48 000
Payments in lieu of leave	-	83 180
Performance Bonus	-	80 575
Total	-	894 868
Remuneration of the Acting Director Engineering Services: CB Wright		
Acting Allowance	48 033	82 896
Total	48 033	82 896
Remuneration of the Director Corporate Services: AC Makendlana		
Acting Allowance		
Basic Salary	819 090	870 313
Contributions, Medical and Pension Funds	148 263	95 773
Motor Vehicle Allowance	60 000	60 000
Performance Bonus		90 522
Telephone	6 000	6 000
Total	1 033 353	1 122 608

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

36. REMUNERATION OF COUNCILLORS	2018 R	2017 R
Total Remuneration of Councillors		
Annual Remuneration	4 865 896	4 137 448
Allowance	-	17 131
Telephone Allowance	404 700	285 377
Travelling	555 297	301 148
Tools of trade	23 221	45 398
Pension	209 485	113 859
Medical	9 840	50 227
Total	6 068 438	4 950 588
Remuneration paid to Councillors can be summarised as follow:		
Remuneration of Councillor: H.T. Prince		
Annual Remuneration	277 249	160 696
Allowance	-	5 834
Telephone Allowance	31 800	21 524
Travelling	93 258	63 322
Tools of trade	1 621	3 547
Pension	20 763	6 638
Medical	-	50 227
Total	424 691	311 786
Remuneration of Councillor: S.M. Motsoane		
Annual Remuneration	261 520	189 496
Allowance	-	4 667
Telephone Allowance	31 800	22 490
Travelling	93 258	66 711
Tools of trade	1 875	3 547
Pension	36 492	23 788
Total	424 945	310 698
Remuneration of Councillor: G.P. Adolph		
Annual Remuneration	-	50 368
Allowance	-	300
Telephone Allowance	-	2 254
Travelling	-	6 100
Tools of trade	-	389
Pension	-	4 991
Total	-	64 400
Remuneration of Councillor: M. Furmen		
Annual Remuneration	-	25 910
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 553
Remuneration of Councillor: G. De Vos		
Annual Remuneration	-	21 453
Telephone Allowance	-	2 254
Travelling	-	4 457
Tools of trade	-	389
Total	-	28 553
Remuneration of Councillor: J. Diedericks		
Annual Remuneration	-	64 125
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	66 768
Remuneration of Councillor: A.M. Slabbert		
Annual Remuneration	522 409	453 739
Allowance	-	1 758
Telephone Allowance	31 800	22 490
Travelling	123 322	132 401
Tools of trade	1 875.00	3 547
Total	679 406	613 936

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of Councillor: D.E. Welgemoed		
Annual Remuneration	52 693	-
Telephone Allowance	13 600	-
Travelling	20 990	-
Tools of trade	1 200	-
Pension	6 930	-
Medical	9 840	-
Total	105 253	-
Remuneration of Councillor: E Wentzel		
Annual Remuneration	581 389	512 614
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Pension	64 342	49 375
Total	679 406	585 785
Remuneration of Councillor: E Lawrence		
Annual Remuneration	228 953	201 709
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Pension	31 924	23 254
Total	294 552	248 760
Remuneration of Councillor: O Haarvoor		
Annual Remuneration	605 936	526 913
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	639 611	550 710
Remuneration of Councillor: ZJD Lambert		
Annual Remuneration	260 877	224 963
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	294 552	248 760
Remuneration of Councillor: K Alexander		
Annual Remuneration	112 449	224 963
Telephone Allowance	9 500	20 580
Tools of trade	(225)	3 217
Total	121 724	248 760
Remuneration of Councillor: MA Kilani		
Annual Remuneration	242 008	212 561
Telephone Allowance	31 800	20 580
Travelling	75 565	8 914
Tools of trade	1 875	3 217
Pension	29 569	3 488
Total	380 817	248 760
Remuneration of Councillor: N Constable		
Annual Remuneration	445 203	224 963
Telephone Allowance	31 800	20 580
Tools of trade	1 875	3 217
Total	478 878	248 760
Remuneration of Councillor: K Malooi		
Annual Remuneration	-	417 459
Telephone Allowance	-	11 692
Tools of trade	-	2 017
Total	-	431 168
Remuneration of Councillor: JJ van der Linde		
Annual Remuneration	656 009	53 706
Allowance		4 572
Telephone Allowance	31 800	1 739
Travelling	148 904	14 787
Tools of trade	1 875	300
Total	838 588	75 104

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of Councillor: J Jonas		
Annual Remuneration	-	58 970
Telephone Allowance	-	5 136
Tools of trade	-	886
Total	-	64 992
Remuneration of Councillor: G.T. Murray		
Annual Remuneration	-	25 610
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 253
Remuneration of Councillor: L. Deyce		
Annual Remuneration	358 322	189 334
Telephone Allowance	31 800	17 673
Tools of trade	1 875	2 716
Pension	19 465	2 325
Total	411 462	212 048
Remuneration of Councillor: R.T. Hugo		
Annual Remuneration	-	25 910
Telephone Allowance	-	2 254
Tools of trade	-	389
Total	-	28 553
Remuneration of Councillor: L. Basson		
Annual Remuneration	260 877	250 532
Telephone Allowance	31 800	22 800
Tools of trade	1 875	3 600
Total	294 552	276 932
Remuneration of Councillor: P. Simon		
Annual Remuneration	-	21 453
Telephone Allowance	-	2 254
Travelling	-	4 457
Tools of trade	-	389
Total	-	28 553

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Council. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has x full-time bodyguards.

37. CONTRACTED SERVICES

Consultants and Professional Services:Business and Advisory:Accounting and Auditing	6 599 032	2 856 897
Consultants and Professional Services:Business and Advisory:Audit Committee	22 000	12 600
Consultants and Professional Services:Business and Advisory:Business and Financial Management	115 710	266 594
Consultants and Professional Services:Business and Advisory:Human Resources	90 498	199 241
Consultants and Professional Services:Business and Advisory:Medical Examinations	-	1 010
Consultants and Professional Services:Business and Advisory:Organisational	596 280	518 362
Consultants and Professional Services:Business and Advisory:Research and Advisory	156 422	375 385
Consultants and Professional Services:Infrastructure and Planning:Engineering:Electrical	-	344 519
Consultants and Professional Services:Infrastructure and Planning:Land and Quantity Surveyors	-	13 627
Consultants and Professional Services:Infrastructure and Planning:Town Planner	5 517	18 762
Consultants and Professional Services:Laboratory Services:Water	130 338	133 782
Consultants and Professional Services:Legal Cost:Collection	86 376	125 286
Consultants and Professional Services:Legal Cost:Legal Advice and Litigation	810 973	318 852
Contractors:Building	429 155	5 943 801
Contractors:Catering Services	20 326	-
Contractors:Electrical	4 962 218	-
Contractors:Maintenance of Buildings and Facilities	901 020	1 025 948
Contractors:Maintenance of Equipment	3 511 036	3 521 609
Contractors:Maintenance of Unspecified Assets	10 836 184	6 666 792
Contractors:Plants, Flowers and Other Decorations	1 020	2 565
Contractors:Prepaid Electricity Vendors	291 195	-
Contractors:Transportation	10 080	1 756
Outsourced Services:Burial Services	406 758	387 224
Outsourced Services:Business and Advisory:Occupational Health and Safety	118 246	127 305
Outsourced Services:Business and Advisory:Valuer	617 820	1 421 329
Outsourced Services:Catering Services	16 604	44 126
Outsourced Services:Personnel and Labour	1 017 647	-
Outsourced Services:Security Services	3 617 353	3 347 164
Outsourced Services:Traffic Fines Management	3 527 358	8 766 449
Total Contracted Services	38 897 166	36 440 984

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
38. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	17 180 735	15 473 198
Investment Property carried at cost	232 243	253 536
Capitalised Restoration Cost	22 327	12 805
Intangible Assets	126 766	187 146
Impairment losses/(Reversal of impairment loss)	6 901 132	222 232
Total Depreciation and Amortisation	24 463 203	16 148 917
39. FINANCE COSTS		
Long-term Borrowings	3 056 417	3 493 684
Finance leases	207 113	206 611
Non-current Employee Benefits	2 816 883	2 735 613
Overdraft Facilities	185 339	154 206
Total Finance Costs	6 265 751	6 590 114
40. BULK PURCHASES		
Electricity	52 862 992	53 948 964
Water	6 159 555	7 563 138
Total Bulk Purchases	59 022 547	61 512 102
Stock adjustments	(9 735 398)	(8 161 899)
Total Bulk Purchases	49 287 148	53 350 202
41. TRANSFERS AND SUBSIDIES		
Donations	223 385	272 249
Monetary Allocations	223 385	272 249
Households	96 244	98 499
Non-profit Institutions	127 141	173 750
Total Transfers and Subsidies	223 385	272 249
42. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	373 612	556 583
Audit Fees	3 123 614	2 569 430
Bank Charges, Facility and Card Fees	575 887	815 724
Bursaries (Employees)	213 285	276 737
Communication	1 744 547	2 358 584
Deeds	21 653	16 089
Entertainment	82 557	73 190
External Computer Service	1 834 511	2 307 682
Hire Charges	316 981	191 002
Indigent Relief	323 235	331 615
Insurance excess	1 231 750	734 945
Learnerships and Internships	-	15 347
Licences	208 215	180 707
Management Fee	325 812	492 330
Printing, Publications and Books	32 207	18 789
Professional Bodies, Membership and Subscription	1 708 661	1 572 077
Registration Fees	7 765	8 833
Remuneration to Ward Committees	513 086	367 952
Rewards Incentives	12 000	9 200
Travel and Subsistence	1 022 476	857 300
Uniform and Protective Clothing	421 849	331 763
Vehicle Tracking	101 879	98 490
Wet Fuel	2 731 493	1 877 787
Workmen's Compensation Fund	-	525 828
Total Operational Costs	16 927 075	16 587 982

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
43. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 12	(6 611 243)	(5 110 549)
Receivables from Non-exchange Revenue - Note 13	(31 044 474)	(46 129 691)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(37 655 717)	(51 240 240)
44. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	1 830 605	1 358 255
Total Gains/ (Loss) on Sale of Fixed Assets	1 830 605	1 358 255
45. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Investment Property	(339 484)	-
Capitalised Restoration Cost	(15 411)	29 220
Property, Plant and Equipment	(6 949 480)	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	(7 304 375)	29 220
46. MATERIAL LOSSES		
Electricity distribution losses		
Units purchased (Kwh)	57 649 424	54 386 578
- Units lost during distribution (Kwh)	7 779 399	4 906 432
- Percentage lost during distribution	13.49%	9.02%
The reason for the increase in electricity losses is due to electricity theft on pre-paid meters. Fines were issued for first time offenders.		
Water distribution losses		
Kilolitres purified	2 647 036	2 647 727
- Kilolitres lost during distribution	1 118 151	1 153 505
- Percentage lost during distribution	42.24%	43.57%
Normal pipe bursts and field leakages are responsible for water losses.		
47. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Capital Replacement Reserve	3 245 451	(3)	3 245 448
Housing Development Fund	3 781 402	(1)	3 781 401
Self Insurance Reserve	626 624	1	626 625
Accumulated Surplus/(Deficit)	426 474 464	74	426 474 537
Long-term Liabilities	12 748 353	(4)	12 748 349
Non-current Provisions	26 986 726	-	26 986 726
Non-current Employee Benefits	28 823 365	(0)	28 823 365
Consumer Deposits	1 496 850	111 382	1 608 232
Provisions	-	-	-
Current Employee Benefits	9 508 288	(1)	9 508 287
Payables from exchange transactions	30 891 121	(103 402)	30 787 719
Unspent Conditional Government Grants and Receipts	13 654 183	-	13 654 183
Cash and Cash Equivalents	288 119	0	288 119
Current Portion of Long-term Liabilities	3 875 555	0	3 875 555
Property, Plant and Equipment	491 754 254	2	491 754 256
Investment Property	7 818 934	(0)	7 818 934
Intangible Assets	514 895	0	514 895
Capitalised Restoration Cost	249 416	(0)	249 416
Heritage Assets	5 225 000	(0)	5 225 000
Non-Current Receivables from Exchange Transactions	2 318 233	0	2 318 233
Inventory	3 329 622	0	3 329 622
Receivables from exchange transactions	17 263 873	(1 436 235)	15 827 638
Receivables from non-exchange transactions	20 224 604	1 438 269	21 662 873
Unpaid Transfers and Subsidies	-	6 008	6 008
Operating Lease Asset	56 962	1	56 962
Taxes	6 065 549	0	6 065 549
Current Portion of Long-term Receivables	653 553	-	653 553
Cash and Cash Equivalents	6 925 606	(0)	6 925 606
	(0)	0	(0)

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	28 321 862	1	28 321 863
Government Grants and Subsidies - Capital	42 380 983	2 233 140	44 614 123
Government Grants and Subsidies - Operating	62 300 718	337 207	62 637 925
Contributed Property, Plant and Equipment	1 400 000	-	1 400 000
Actuarial Gains	3 409 367	(0)	3 409 367
Fines, Penalties and Forfeits	63 669 999	6 407	63 676 406
Interest Earned - Non-exchange Transactions	-	592 667	592 667
Reversal of impairment	29 220	(29 220)	-
Gain on disposal of PPE	64 278	(64 278)	-
Licences and Permits		37 868	37 868
Property Rates - penalties imposed and collection charges	592 667	(592 667)	-
Service Charges	102 525 788	12 282	102 538 070
Sales of Goods and Rendering of Services		2 230 267	2 230 267
Rental from Fixed Assets	1 228 917	(19 403)	1 209 514
Interest Earned - External Investments	1 353 526	(14 790)	1 338 736
Interest Earned - Exchange Transactions	2 662 107	14 792	2 676 899
Licences and Permits	522 566	(192 920)	329 646
Agency Services	714 126	0	714 126
Operational Revenue	6 310 778	(4 845 023)	1 465 755
Employee related costs	87 690 789	27 395	87 718 184
Remuneration of Councillors	4 783 875	(1)	4 783 874
Bad Debts Written Off		4 331 728	4 331 728
Contracted Services	15 486 148	20 954 836	36 440 984
Depreciation and Amortisation	15 926 273	222 640	16 148 913
Finance Costs	6 590 114	2	6 590 116
Bulk Purchases	61 512 102	(0)	61 512 102
Inventory Consumed		2 445 456	2 445 456
Operating Leases		192 551	192 551
Transfers and Subsidies	98 140	174 109	272 249
Operational Costs	40 562 964	(23 974 981)	16 587 982
Debt Impairment	55 571 968	(55 571 968)	-
Collection Cost	9 200	(9 200)	-
Loss on disposal of PPE	1 422 533	(1 422 533)	-
Impairments	262 224	(262 224)	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables		51 240 240	51 240 240
Gains/(Loss) on Sale of Fixed Assets		1 358 282	1 358 282
Net Surplus/(Deficit) for the year	27 570 572	0	27 570 572

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
48. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
48.1 Property, Plant and Equipment		
Balance previously reported		491 754 256
Recalculation on due to error on Cost till 30 June 2016	-	287 919
Recalculation on due to error on Accumulated Depreciation till 30 June 2016	-	460 653
Recalculation on due to WIP double recording on Cost till 30 June 2016	-	(32 727 235)
Recalculation on due to WIP double recording on Accumulated Depreciation till 30 June 2016	-	1 109 586
Recalculation on due to WIP double recording on Depreciation for 2016/2017	-	117 698
Restated Balance	-	461 002 878
48.2 Operating Lease Asset		
Balance previously reported	-	56 962
Correction on movement on operating lease asset till 30 June 2016	-	5 467
Correction on movement on operating lease asset for the year ended 30 June 2017	-	(3 441)
Restated Balance	-	58 988
48.3 Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	30 891 121
Reclassification - Note 47		(103 402)
Vote incorrectly disclosed as Trade Payable and not Receivable from Non-Exchange Receivable.		155 580
Correction on Non-current Trade and Other Payables from Exchange Transactions disclosed as Current Trade and Other Payables from Exchange Transactions	-	(524 084)
Reversal of journal incorrectly captured during 2017/18 and should be in 2016/2017 for Remuneration of Council	-	166 714
Restated Balance	-	30 585 928
48.4 Non-current Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	-
Correction on Non-current Trade and Other Payables from Exchange Transactions disclosed as Current Trade and Other Payables from Exchange Transactions	-	524 084
Restated Balance	-	524 084
48.5 Unspent Transfers and Subsidies		
Balance previously reported	-	13 654 183
Reversal of journal incorrectly captured during 2016/17	-	72 256
Restated Balance	-	13 726 438
48.6 Accumulated Surplus/(Deficit) - 1 July 2016		
Correction on PPE cost till 30 June 2016	-	287 919
Correction on PPE accumulated depreciation till 30 June 2016	-	460 653
Recalculation on due to WIP double recording on Cost till 30 June 2016		(32 727 235)
Recalculation on due to WIP double recording on Accumulated Depreciation till 30 June 2016		1 109 586
Correction on movement on operating lease asset till 30 June 2016	-	5 467
Total	-	(30 863 609)
48.7 Non-Current Receivables from Exchange Transactions		
Balance previously reported	-	2 318 233
Correction on Exchange vs Non-Exchange transaction disclosure	-	(816 852)
Total	-	1 501 381
48.8 Non-Current Receivables from Non-Exchange Transactions		
Balance previously reported	-	-
Correction on Exchange vs Non-Exchange transaction disclosure	-	816 852
Total	-	816 852

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
48.9 Non-current Provisions		
Balance previously reported	-	26 986 726
Correction on Exchange vs Non-Exchange transaction disclosure	-	(5 608 863)
Total	-	21 377 863
48.10 Provisions		
Balance previously reported	-	-
Correction on Exchange vs Non-Exchange transaction disclosure	-	5 608 863
Total	-	5 608 863
48.11 Receivables from Non-exchange Transactions		
Balance previously reported	-	20 224 604
Vote incorrectly disclosed as Trade Payable and not Receivable from Non-Exchange Receivable.		155 580
Restated Balance	-	20 380 184
48.12 Changes to Statement of Financial Performance		

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		28 321 863	-	28 321 863
Government Grants and Subsidies - Capital		44 614 123	-	44 614 123
Government Grants and Subsidies - Operating		62 637 925	(72 256)	62 565 670
Contributed Property, Plant and Equipment		1 400 000	-	1 400 000
Actuarial Gains		3 409 367	-	3 409 367
Fines, Penalties and Forfeits		63 676 406	-	63 676 406
Interest Earned - Non-exchange Transactions		592 667	-	592 667
Licences and Permits from Non-Exchange Transactions		37 868	-	37 868
Service Charges		102 538 070	-	102 538 070
Sales of Goods and Rendering of Services		2 230 267	-	2 230 267
Rental from Fixed Assets		1 209 514	(3 441)	1 206 073
Interest Earned - External Investments		1 338 736	-	1 338 736
Interest Earned - Exchange Transactions		2 676 899	-	2 676 899
Licences and Permits from Exchange Transactions		329 646	-	329 646
Operational Revenue		1 465 755	-	1 465 755
Total		317 193 232	(75 697)	317 117 535
Expenditure				
Employee related costs		87 718 184	-	87 718 184
Remuneration of Councillors		4 783 874	166 714	4 950 588
Bad Debts Written Off		4 331 728	-	4 331 728
Contracted Services		36 440 984	-	36 440 984
Depreciation and Amortisation		16 148 913	(117 698)	16 031 215
Finance Costs		6 590 116	-	6 590 116
Bulk Purchases		61 512 102	-	61 512 102
Inventory Consumed		2 445 456	-	2 445 456
Operating Leases		192 551	-	192 551
Transfers and Subsidies		272 249	-	272 249
Operational Costs		16 587 982	-	16 587 982
Total		237 024 138	49 016	237 073 155
Gains and Losses				
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(51 240 240)	-	(51 240 240)
Gains/(Loss) on Sale of Fixed Assets		(1 358 255)	-	(1 358 255)
Total		(52 598 495)	-	(52 598 495)
Net Surplus/(Deficit) for the year		27 570 599	(124 713)	27 445 886

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
49. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	55 585 276	27 445 886
Adjustments for:		
Depreciation	24 336 437	15 739 539
Amortisation	126 766	187 146
Loss/(Gain) on Sale of Fixed Assets	1 830 605	1 358 255
Impairment Loss/(Reversal of Impairment Loss)	37 655 717	233 004
Contributed Property, Plant and Equipment	(155 232)	(1 400 000)
Contribution to provisions – Non-Current Provisions		1 672 668
Contribution from/to provisions - Non-Current Employee Benefits		4 018 346
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	209 326	(3 409 367)
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(2 474 041)	
Contribution from/to - Current Employee Benefits		5 913 962
Contribution to employee benefits – current - expenditure incurred		(5 183 887)
Contribution from/to employee benefits - non-current - expenditure incurred		(1 265 496)
Movement in employee benefits	1 531 049	
Contribution to provisions – Bad Debt		55 571 968
Impairment written off		(4 331 728)
Additional debt Impairment transactions		117 214
Bad Debts written off	5 632 236	
Interest on provisions	2 816 883	
(Increase)/Decrease in Capitalised Restoration Cost		(27 254)
Operating lease income accrued	33 549	(3 960)
Operating Surplus/(Deficit) before changes in working capital	127 128 570	96 636 295
Changes in working capital	(45 647 488)	(56 677 600)
Increase/(Decrease) in Trade and Other Payables	22 529 183	(346 426)
Increase/(Decrease) in Taxes	(6 194 990)	674 923
(Increase)/Decrease in Inventory	(241 763)	398 999
Increase/(Decrease) in Consumer Deposits	(70 765)	203 953
Increase/(Decrease) in Current portion of Longterm Receivables	(131 144)	(41 139)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(43 822 663)	(10 015 246)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(7 361 934)	(50 187 334)
(Increase)/Decrease Unpaid Transfers and Subsidies	(6 927)	
Increase/(Decrease) in Unspent Transfers and Subsidies	(10 346 486)	2 634 670
(Increase)/Decrease in Repay Arrangements		
Cash generated/(absorbed) by operations	81 481 082	39 958 696
50. CASH AND CASH EQUIVALENTS	2018 R	2017 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 14	356 816	-
Call Deposits and Investments - Note 14	12 283 083	6 919 336
Cash Floats - Note 14	6 270	6 270
Bank Overdraft - Note 14	(7 792 004)	(288 119)
Total cash and cash equivalents	4 854 165	6 637 487

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
51. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 50	4 854 165	6 637 487
Less:	10 356 531	20 850 300
Unspent Transfers and Subsidies - Note 21	3 379 953	13 654 183
Staff leave - Note - 19.3	4 982 220	5 097 439
VAT - Note 22	1 769 438	1 875 157
Cash Portion of Housing Development Fund - Note 24	224 920	223 521
Net cash resources available for internal distribution	(5 502 366)	(14 212 813)
Allocated to:		
Capital Replacement Reserve - Note 24	-	3 245 451
Resources available for working capital requirements	(5 502 366)	(17 458 264)
	2018 R	2017 R
52. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 14	13 210 818	16 623 908
Used to finance property, plant and equipment - at cost	(13 210 818)	(16 623 908)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Annuity loans at amortised cost is calculated at 6.75%-14.00% interest rate, with last maturity date of 31 July 2029. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
53. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
53.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	81 643 533	56 171 331
Unauthorised expenditure current year - operational	20 157 188	23 007 252
Unauthorised expenditure current year - capital	302 996	2 464 950
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	102 103 718	81 643 533

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Actual vs Budgeted spending	None

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Municipal Manager	5 784 335	6 177 728	(393 393)	-
Vote 2 - Director: Corporate Service	42 058 733	36 489 468	5 569 265	5 569 265
Vote 3 - Director: Financial Services	31 717 696	28 342 738	3 374 958	3 374 958
Vote 4 - Director: Engineering Services	76 068 309	80 239 025	(4 170 716)	-
Vote 5 - Director: Community Services	65 004 192	53 791 227	11 212 965	11 212 965
Vote 6 - Director: Electrical Services	74 565 405	84 494 811	(9 929 406)	-
	295 198 670	289 534 997	5 663 673	20 157 188

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Municipal Manager	13 780	30 000	(16 220)	-
Vote 2 - Director: Corporate Service	259 860	276 500	(16 640)	-
Vote 3 - Director: Financial Services	64 769	245 000	(180 231)	-
Vote 4 - Director: Engineering Services	72 398 487	79 974 149	(7 575 662)	-
Vote 5 - Director: Community Services	1 302 996	1 000 000	302 996	302 996
Vote 6 - Director: Electrical Services	5 739 130	6 800 000	(1 060 870)	-
	79 779 022	88 325 649	(8 546 627)	302 996

	2018 R	2017 R
53.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1 220 631	204 479
Fruitless and wasteful expenditure current year	562 024	1 016 152
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	1 782 655	1 220 631

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Contractor was stopped to perform his duties on site during his contact.	None	-	439 954
During the year under review it was discovered that debit orders were going off against the municipality's bank account for payments to Homechoice, Multichoice, Truworths, etc	None	-	576 198
Backpay to council.	None	562 024	
		562 024	1 016 152

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

53.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	
Irregular expenditure current year	
Expenditure authorised i.t.o. Section 32 of MFMA	
Condonement supported by council	
Transfer to receivables for recovery - not condoned	
Irregular expenditure awaiting further action	

2018 R	2017 R
52 932 427	16 952 840
52 225 692	35 979 587
-	-
-	-
-	-
105 158 118	52 932 427

2018
R

2017
R

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
2014 - Open tender request sent after event. R35 000	None
2015 - SCM procedures not followed current year. R550 134.06	None
Irregular Expenditure incurred ito Contracting for Traffic Services: 2011/2012 Financial Year - R3 025 588.67 2012/2013 Financial Year - R5 725 559.70 2013/2014 Financial Year - R6 570 444.36	None
2016 - SCM procedures not followed current year. R1 046 112.55	None
2017 - SCM procedures not followed with regards to housing. R32 105 315	None
2017 - SCM procedures not followed current year. R3 874 272	None
2018 - SCM procedures not followed with regards to housing. R31 509 033.75	None
2018 - SCM procedures not followed current year. R19 979 711	None
2018 - SCM procedures not followed current year. R736 947	None

35 000	35 000
550 134	550 134
15 321 593	15 321 593
1 046 113	1 046 113
32 105 315	32 105 315
3 874 272	3 874 272
31 509 034	-
19 979 711	-
736 947	-
105 158 118	52 932 427

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
54. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
54.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)		
Opening balance	(30)	-
Council subscriptions	949 899	857 855
Amount paid - current year	(949 899)	(857 885)
Balance unpaid (included in creditors)	(30)	(30)
54.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year audit fee	3 123 614	2 569 430
External Audit - Auditor-General	3 123 614	2 569 430
Amount paid - current year	(3 123 614)	(2 569 430)
Balance unpaid (included in creditors)	-	-
54.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	(6 065 549)	(6 065 549)
Amounts received - previous year	1 249 275	-
Amounts received - current year	(13 936 797)	-
Amount paid - current year	22 781 606	-
Closing balance	4 028 535	(6 065 549)
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
54.4 PAYE and UIF - [MFMA 125 (1)(c)]		
Opening balance	800 172	726 820
Current year payroll deductions	11 806 846	10 770 270
Amount paid - current year	(10 981 933)	(10 696 918)
Balance unpaid (included in creditors)	1 625 085	800 172
54.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	1 210 548
Current year payroll deductions and Council Contributions	17 021 786	15 807 766
Amount paid - current year	(17 021 786)	(17 018 314)
Balance unpaid (included in creditors)	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

54.6	Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]	2018 R	2017 R
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:		
		Outstanding more than 90 days	Outstanding more than 90 days
	Councillor HT Prince (012338/010957)	14 702	22 629
	Councillor HT Prince (010956/010957)	-	13 684
	Councillor SM Motsoane (022661/022662)	765	1 176
	Total Councillor Arrear Consumer Accounts	15 467	37 489

54.7 **Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-17	97 883		65 000	32 883	-
Aug-17	771 598	559 804	48 244	49 894	113 657
Sep-17	252 636	16 256	180 036	24 766	31 578
Oct-17	171 103	18 245	152 858	-	-
Nov-17	62 496	-	17 434	45 062	-
Dec-17	336 116	326 723	-	9 393	-
Jan-18	15 394 826	157 616	15 226 410	-	10 800
Feb-18	416 028	4 883	139 567	26 775	244 804
Mar-18	58 977	-	19 859	28 318	10 800
Apr-18	219 571	46 349	140 155	33 067	-
May-18	54 803	29 600	20 203	5 000	-
Jun-18	25 278	5 340	8 774	11 164	-
	17 861 315	1 164 815	16 018 539	266 322	411 638

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Range of Deviations approved by Municipal Manager	Total Deviations	2016/17 Amounts
Deviations between 0 - 10 000	210	1 016 346
Deviations between 10 001 - 30 000	66	1 051 417
Deviations between 30 001 - 200 000	40	2 961 173
Deviations greater than 200 001	4	1 217 728
	320	6 246 664

54.8 **Other non-compliance**

MFMA Section 65(2)(b)

Adequate management, accounting and information system was not in place which accounted for creditors.

MFMA Section 65(2)(e)

The municipality had experienced cash flow problems during the year as a result of which creditors were not always paid within 30 days of date of statement or invoice as required.

MFMA Section 15

Expenditure was not only incurred in terms of an approved budget and within the limits of the amounts approved for the different votes in an approved budget.

MFMA Section 32(4)

Report pertaining to unauthorised, irregular, fruitless and wasteful expenditure have not been submitted to all relevant parties.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

55. FINANCIAL RISK MANAGEMENT

2018
R

2017
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

0.5% (2017: 0.5%) Increase in interest rates
0.5% (2017: 0.5%) Decrease in interest rates

2018
R

2017
R

36 105
(36 105)

174 963
(174 963)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 11 and 12 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 7 and 8 for balances included in receivables that were re-negotiated for the period under review.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	14.22%	21 452 988	12.17%	13 770 222
Fines	85.37%	128 782 626	87.69%	99 191 306
Other	0.41%	614 763	0.14%	155 580
	100.00%	150 850 377	100.00%	113 117 108
<u>Non-Current Receivables</u>				
Repayment arrangement	100.00%	3 479 700	100.00%	2 971 786
<u>Exchange Receivables</u>				
Electricity	14.56%	11 295 942	17.63%	12 151 878
Water	11.68%	9 057 566	10.93%	7 535 807
Property Rentals	0.08%	63 322	0.31%	213 305
Waste Management (refuse)	10.59%	8 216 936	10.73%	7 395 899
Waste Water Management (Sewerage)	18.16%	14 089 888	16.80%	11 583 712
Other	44.92%	34 846 799	43.60%	30 053 813
	100.00%	77 570 452	100.00%	68 934 414

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 11 and 12 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.00%	-	0.00%	-
<u>Non-exchange Receivables</u>				
Rates	10.55%	12 831 055	12.78%	11 851 092
Fines	89.45%	108 838 936	87.22%	80 885 832
	100.00%	121 669 991	100.00%	92 736 924
<u>Exchange Receivables</u>				
Electricity	0.57%	351 180	4.32%	2 230 195
Water	8.83%	5 403 556	7.61%	3 930 707
Waste Management (refuse)	12.58%	7 700 122	13.51%	6 978 263
Waste Water Management (Sewerage)	21.19%	12 972 491	20.64%	10 663 847
Housing Selling Scheme	0.10%	60 948	0.10%	50 808
Other	56.72%	34 719 809	53.83%	27 816 720
	100.00%	61 208 106	100.00%	51 670 540

The provision for bad debts could be allocated between the different categories of receivables (excl. fines) as follow:

	2018 %	2018 R	2017 %	2017 R
Other	2.92%	2 163 076	2.84%	1 797 961
Industrial	10.48%	7 757 493	11.07%	7 009 461
Residential	86.60%	64 118 591	86.10%	54 535 140
Indigents	0.00%	-	0.00%	-
	100.00%	74 039 160	100.00%	63 342 562

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>			
Rates and Other Receivables	57 294 544	100%	565 244
<u>Exchange Receivables</u>			
Services	5 632 236	100%	3 766 484

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

<u>Ageing of amounts past due but not impaired are as follow:</u>	Exchange Receivables	Non-exchange Receivables
2018		
1 month past due	292 802	152 248
2+ months past due	1 652 409	1 960 794
	<u>1 945 211</u>	<u>2 113 043</u>
2017		
1 month past due	189 376	(8 128)
2+ months past due	2 803 553	601 636
	<u>2 992 930</u>	<u>593 508</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	2 480 243	2 466 251
Trade receivables and other receivables	999 456	37 488 477
Receivables from exchange transactions	34 846 799	-
Receivables from non-exchange transactions	150 850 377	-
Cash and Cash Equivalents	12 639 899	6 925 606
	<u>201 816 775</u>	<u>46 880 334</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	5 362 471	7 028 313	6 287 707	-
Trade and Other Payables	53 535 180			
Unspent conditional government grants and receipts	-	-	-	-
	<u>58 897 651</u>	<u>7 028 313</u>	<u>6 287 707</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 30 years	More than 10 years
2017				
Long-term Liabilities	5 412 417	10 673 402	7 482 579	-
Capital repayments	3 840 865	7 589 032	5 194 007	
Interest	1 571 552	3 084 370	2 288 572	
Trade and Other Payables	30 690 316			
Unspent conditional government grants and receipts	13 654 183	-	-	-
	<u>49 756 916</u>	<u>10 673 402</u>	<u>7 482 579</u>	<u>-</u>
56. FINANCIAL INSTRUMENTS			2018 R	2017 R
In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:				
56.1 Financial Assets	Classification			
Non-Current Receivables				
Receivables with repay arrangements	Financial Instruments at amortised cost		1 861 932	1 501 381
Housing Loans	Financial Instruments at amortised cost		461 643	461 643
Receivables from Exchange Transactions				
Trade receivables from exchange transactions	Financial Instruments at amortised cost		16 296 305	15 026 781
Other receivables from exchange transactions	Financial Instruments at amortised cost		66 042	2 237 093
Cash and Cash Equivalents				
Bank Balances	Financial Instruments at amortised cost		363 086	6 270
Call Deposits	Financial Instruments at amortised cost		12 283 083	6 919 336
Total Financial Assets			<u>31 332 091</u>	<u>26 152 504</u>

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
SUMMARY OF FINANCIAL ASSETS			
Financial Instruments at amortised cost:			
Long-term Receivables	Receivables with repay arrangements	1 861 932	1 501 381
Long-term Receivables	Housing Loans	461 643	461 643
Trade receivables from exchange transactions	Trade receivables from exchange transactions	16 296 305	15 026 781
Other receivables from exchange transactions	Other receivables from exchange transactions	66 042	2 237 093
Cash and Cash Equivalents	Bank Balances	363 086	6 270
Cash and Cash Equivalents	Call Deposits	12 283 083	6 919 336
Total Financial Assets		31 332 091	26 152 504
56.2 Financial Liabilities			
	Classification		
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	9 415 979	9 413 409
Capitalised Lease Liability	Financial Instruments at amortised cost	3 794 839	3 334 944
Trade and Other Payables			
Payments received in advance	Financial Instruments at amortised cost	511 072	206 955
Retentions	Financial Instruments at amortised cost	2 193 279	1 759 816
Sundry creditors	Financial Instruments at amortised cost	3 975 685	2 692 880
Trade Payables	Financial Instruments at amortised cost	40 666 964	19 240 394
Current Portion of Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	1 525 057	1 376 257
Capitalised Lease Liability	Financial Instruments at amortised cost	2 669 243	2 499 298
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	7 792 004	288 119
		72 544 121	40 812 072
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	10 941 036	10 789 666
Long-term Liabilities	Capitalised Lease Liability	6 464 082	5 834 242
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Payments received in advance	511 072	206 955
Trade and Other Payables	Retentions	2 193 279	1 759 816
Trade and Other Payables	Sundry creditors	3 975 685	2 692 880
Trade and Other Payables	Trade Payables	40 666 964	19 240 394
Cash and Cash Equivalents	Bank Overdraft	7 792 004	288 119
		72 544 121	40 812 072

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R
57. STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	6 833 275	1 614 863
Receivables from Non-Exchange Transactions	150 235 614	112 961 528
Rates	21 452 988	13 770 222
Fines	128 782 626	99 191 306
Total Statutory Receivables (before provision)	157 068 889	114 576 391
Less: Provision for Debt Impairment	-	-
Total Statutory Receivables (after provision)	157 068 889	114 576 391
	2018	2017
	R	R
58. IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any in-kind donations or assistance during the year under review.	-	-
	2018	2017
	R	R
59. PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.	-	-
	2018	2017
	R	R
60. CONTINGENT LIABILITY		
The following guarantees also qualify as contingent liabilities:		
NAME / REG NO	GUARANTEE ISSUED TO	
Nedbank	South African Post Office	50 000
Nedbank	Eskom	34 700
Nedbank	Eskom: Supply Electricity - Nelspoort	41 000
		125 700
		125 700
Claims against the municipality		
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
The municipality has a claim against them whereby a child was injured in a playing park due to the negligence of the municipality. An indication of the possible claim and legal fees was received from Crawford attorney's.	235 055	235 055
On 15 July 2012 a fire destroyed a private property within the Beaufort West municipal area. Although the owner of the property previously indicated that he was unhappy with the performance of the Fire Department of the municipality he gave no intent of claiming against the municipality. On 21 October 2015, however, the affected party's lawyers issued a letter to the municipality that the affected party have issued a summons for damages for alleged negligence on the part of the Fire Department of the municipality. an indication of the possible claim and legal fees was received from messrs Crawfords.	-	1 036 927
The municipality was summons by the Minister of Water Affairs for outstanding payments for water for the period April 2002 to August 2016.The municipality is in a process of negotiation with the Minister.	3 311 206	3 311 206
	3 546 261	4 583 188

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

CONTINGENT ASSETS				2018	2017
BANK / FIRM		PURPOSE	REG NO	R	R
First National Bank		Electricity supply	147	2,020	2,020
FNB/Shoprite		Electricity Supply	88	12,265	12,265
FNB/Ackermans		Electricity Supply	91	2,080	2,080
Lombard Insurance Group/AGMS		Housing Project: Merweville	248	210,450	210,450
Lombard Insurance Group/SWANSA		Reclamation Plant	261	260,068	260,068
Suretyship Guarantee 20120113/002 - ACE		Performance guarantee: Tender SCM			
ABSA Bank		94/2011: Upgrading of streets in W&E Service Erf no. 7401 (BW Mall)	269	-	314,544
			270	222,000	222,000
New National Assurance Company LTD: ACE o.b.o Benver Civils and Plant Hire cc		Performance guarantee: Tender SCM 10/2012: Construction of pedestrian walkways in Murraysburg.	271	-	59,850
Nedbank o.b.o A2 Loodgieters		Notice No.99/2015: Tender SCM 08/2016: Construction and installation of	295	-	258,345
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs		Guarantee No.G900/0583662/GLO: Notice No. 104/2015: Tender SCM	297	-	347,556
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs		Guarantee no. G900/0588505/GLO: Notice No.62/2015: Tender SCM	298	247,452	247,452
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs		Performance guarantee: Tender SCM 10/2016: Upgrading of Fabriek Street.	299	-	173,778
Rand Merchant Bank o.b.o R. Koster t/a R.A Koster		Guarantee Nr:G900/0595814/GLO: Supply of water and electricity to 13 Bird Street [Beaufort Manor]	301	31,300	31,300
Rand Merchant Bank o.b.o R. Koster t/a R.A Koster		Guarantee Nr:G900/0595862/GLO: Supply of water and electricity to 7 Bird Street [Beaufort Manor]	302	21,100	21,100
Provincial Gazette Nr. 7711		Notice of Registration of Driving Licence testing centre: Murraysburg Driving	308	-	-
Infinity Guarantees		Performance Guarantee: Guarantee Nr. PS GUA MV 01: Tender nr. SCM	309	1,049,588	1,049,588
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Retention Guarantee Nr. OGT0672/ZA0002760: Tender Nr. SCM 06/2017: Upgrading of Protea and Oak Streets, Beaufort West	310	199,417	199,417
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Retention Guarantee: Guarantee No. OGT0672/ZA0003151: Tender no.	311	342,479	-
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Performance Demand Guarantee: Guarantee No. OGT0672/ZA0004613: Tender Number 103/2017: SCM 03/2018: Upgrading of Klein Hand River	312	583,509	-
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Performance Demand Guarantee: Guarantee no. OGT06702/ZA0005420: Tender no. 103/2017 : SCM 03/2018: Upgrading of Klein Hans River Scheme: Phase 1	313	944,524	-
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Retention Guarantee: Guarantee No. OGT0672/ZA0008355: Tender No: 103/2017 : SCM 03/2018: Upgrading Of Klein Hans River Scheme: Phase 1	314	755,462	-
Rand Merchant Bank o.b.o De Jagers Loodgieters kontrakteurs (Edms)Bpk		Guarantee NO. OGT0672/ZA00014812: Tender SCM 03/2018: Upgrading of Klein Hans Rivier Scheme phase 1	315	294,655	-
				5,178,369	3,411,813

Loans to the amount of R24 318 313 were incorrect disclosed as Contingent Assets the prior financial year and excluded from the note the current year.

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

61. RELATED PARTIES		2018 R	2017 R
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
61.1 Related Party Transactions			
		Service Charges - Levied 1 July 2017 - 30 June 2018	Other - Levied 1 July 2017 - 30 June 2018
	Rates - Levied 1 July 2017 - 30 June 2018		Outstanding Balance - 30 June 2018
Year ended 30 June 2018			
Councillors			
Councillor AM Slabbert (010137/011832)	5 456	18 698	1
Councillor AM Slabbert (028981/031495)	2 652	2 669	-
Councillor N Constable (010679/032084)	2 576	5 797	-
Councillor N Constable (014506/014507)	496	5 244	-
Councillor O Haarvoor (510856/003456)	-	1 405	-
Councillor JJ van der Linde (014807/014808)	7 696	37 249	-
Councillor HT Prince(012338/010957)	10 896	19 495	-
Councillor L Deyce (510271/000768)	1 296	1 405	-
Councillor L Basson (024298/024299)	653	2 182	-
Councillor MA Kilani (020440/020441)	576	4 841	-
Councillor MA Kilani (006482/020441)	-	1 407	-
Councillor DE Welgemoed (012158/012159)	8 816	38 554	-
Councillor SM Motsoane (022661/022662)	576	5 735	-
	41 688	144 681	1
Municipal Manager and Section 57 Employees			
Municipal Manager : K Haarhoff (No account)	-	-	-
Director : A Makendiana (012180/029959)	9 776	2 182	-
Director : R van Staden (011989/011990)	11 536	22 907	-
Director : ER Klink (510285/000794)	3 056	1 405	-
Director : ER Klink (000037/044164)	496	2 182	-
Director : ER Klink (000312/044164)	3 200	-	-
Director : ER Klink (511153/002065)	16	-	-
Director : CJ Kymdell (007759/007760)	11 376	35 057	-
	39 456	63 734	-
		Service Charges - Levied 1 July 2016 - 30 June 2017	Other - Levied 1 July 2016 - 30 June 2017
	Rates - Levied 1 July 2016 - 30 June 2017		Outstanding Balance - 30 June 2017
Year ended 30 June 2017			
Councillors			
Councillor AM Slabbert (010137/011832)	5 542	18 802	1
Councillor AM Slabbert (028981/031495)	3 533	3 325	-
Councillor N Constable (010679/032084)	3 707	5 956	-
Councillor N Constable (014506/014507)	374	4 402	-
Councillor O Haarvoor (510856/003456)	-	1 310	-
Councillor JJ van der Linde (014807/014808)	7 417	34 308	-
Councillor HT Prince(012338/010957)	9 231	50 510	-
Councillor HT Prince(010956/010957)	4 218	3 325	-
Councillor L Deyce (510271/000768)	1 014	1 310	-
Councillor L Basson (024298/024299)	675	2 034	-
Councillor MA Kilani (020440/020441)	404	4 465	-
Councillor MA Kilani (006482/020441)	-	1 295	-
Councillor J Diedericks (020895/015754)	234	236	-
Councillor GP Adulph (021180/032194)	233	233	-
Councillor G de Vos (014633/014634)	3 092	3 221	-
Councillor G de Vos (014914/014915)	948	1 063	-
Councillor M Furmen (009188/030841)	189	398	-
Councillor RT Hugo (006510/041717)	467	467	-
Councillor G Simon (000291/000292)	1 648	1 661	-
Councillor G Simon (005103/005104)	5 098	-	-
Councillor G Simon (008196/008197)	3 970	3 728	-
Councillor G Simon (024545/024546)	1 492	1 504	-
Councillor J Jonas (060061/060020)	168	168	-
Councillor SM Motsoane (022661/022662)	237	4 347	-
	53 890	148 070	1

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Year ended	Rates - Levied 1 July 2016 - 30 June 2017	Service Charges - Levied 1 July 2016 - 30 June 2017	Other - Levied 1 July 2016 - 30 June 2017	Outstanding Balance - 30 June 2017
Municipal Manager and Section 57 Employees				
Municipal Manager : J Booysen(020051/020052) Resigned Nov '16	1 301	-	-	548
Municipal Manager : J Booysen(018115/018116) - Resigned Nov '16	-	211	-	89
Municipal Manager : J Booysen(010964/032381) - Resigned Nov '16	2 716	23 390	-	5 057
Municipal Manager : J Booysen(019924/032381) - Resigned Nov '16	5 681	58 478	-	36 876
Director : A Makendana (012180/029959)	8 732	2 034	-	-
Director : R van Staden (011989/011990)	10 394	16 298	-	0
Director : JCL Smit (011486/011487) - Resigned Febr '17	9 990	7 829	-	0
Director : ER Klink (510285/000794)	2 710	1 310	-	-
Director : ER Klink (000037/044164)	491	2 034	-	25
Director : ER Klink (000312/044164)	3 540	-	-	-
Director : ER Klink (511153/002065)	378	-	-	0
Director : F Sabbat (011439/031423)- Resigned Febr '17	8 891	22 555	-	5 889
Acting Director : CJ Kymdell (007759/007760)	11 458	30 907	-	3 590
Acting Director : CB Wright (012331/042714)	7 593	25 773	-	1 886
	73 874	190 821	-	53 960

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public.
No bad debt expenses have been recognised in respect of amounts owed by related parties.

61.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 9 to the Annual Financial Statements.

61.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 39 to the Annual Financial Statements.

61.4 Other related party transactions

The following purchases were made during the 2017/18 financial year where Councillors or staff have an interest:

Company Name	Amount	Interest
B&B Sweiswerke	42 856	Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher.
Central Karoo Events	109 224	Sons, Mr. PJ Julies and Mr. J Julies are employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort West Municipality
Karoo Motors Workshop	703 576	Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services
Karoo Drukkery	4 285	Spouse, Mrs Munroe, is currently employed at the Beaufort West Hospital
Tokkie se Slaghuis	4 200	Spouse, Mr Van Heerden is employed with the Department of Correctional Services
B Chalmers	4 500	Spouse, Mr Chalmers is employed with the Department of Correctional Services
Beaufort West Lugreeling en Verkoeling	33 345	Spouse, Mr Kriel, is currently employed by the Department of Health Services
Beaufort Luxury Coaches	37 330	Son, Mr W Johnson and daughter, Mrs B Johnson are employed at Beaufort West Municipality and Department of Public Transport
Avril's Catering	2 700	Daughter, Me M Johnson are employed with the Department of Correctional Services
Raakvat Verhurings	11 250	Spouse, Mrs Jacobs is employed by the Central Karoo District Municipality
Ingozi Constrution and Catering	3 375	Spouse, Mr F Pieters and daughter R Pieters are employed at the housing department at Beaufort West Municipality and Transnet
RWS Cleaning and Maintenance Services	41 463	Spouse, R Summers is employed at Beaufort West Municipality

BEAUFORT WEST MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The following purchases were made during the 2016/17 financial year where Councillors or staff have an interest:

Company Name	Amount	Interest
Sonneblom Bloemiste	8 000	Son, Hilmir Jack, is employed at the Beaufort West Municipality
B&B Sweiswerke	203 753	Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher.
Central Karoo Events	18 750	Sons, Mr. PJ Julies and Mr. J Julies is employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort West Municipality
Karoo Motors Workshop	538 796	Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services
Ingozi Construction & Catering	2 400	Spouse, Mr F Pieters, is employed at the housing department at Beaufort West Municipality
Karoo Drukkery	5 810	Spouse, Mrs Munroe, is currently employed at the Beaufort West Hospital
Karoo Betonwerke	87 599	Spouses, Mr A Swanepoel en Mrs E Klazen are employed with the Department of Correctional Services and Education
Tokkie se Slaghuys	7 005	Spouse, Mr Van Heerden is employed with the Department of Correctional Services
B Chalmers	4 500	Spouses, Mr Chalmers are employed with the Department of Correctional Services
Dit Ruk Sound and Projects	5 000	Spouse, Mrs Goodheart is currently employed by Department of Education as a teacher.
Beaufort West Lugreeling en Verkoeling	9 791	Spouse, Mr Kriel, is currently employed by the Department of Health Services
Beaufort Luxury Coaches	41 500	Son, Mr W Johnson and daughter, Mrs B Johnson are employed at Beaufort West Municipality and Department of Public Transport
Avril's Catering	5 850	Daughter, Me M Johnson are employed with the Department of Correctional Services

Prior period error:

Transactions with other related parties were updated based on exception raised in prior year:

Balance previously reported	938 755.00
Additional transactions disclosed	479 100.00
Restated balance disclosed	<u>1 417 855.00</u>

The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member

Mr. T Prince (a council member of the Beaufort West Municipality) is the president of Beaufort West Local Football Association. The property on which the Football Association is built belongs to the municipality and is leased to the Football Association at an annual amount of R36,000. At 30 June 2017 an amount of R26 352 was outstanding in respect of the lease payments. Further interests include the Central Karoo Soccer and Rustdene Sportpub with outstanding balances amounting to R907 357.

62. FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 0.89:1 from 0.83:1 in the prior year.

The municipality have budgeted for a deficit of R61 627 201 for the 2017/2018 financial year. The municipality is also budgeting for negative cash flows during 2018/2019 and 2019/2020 amounting to R13 486 793 and R30 700 472 respectively.

The average debtors' payment days increased to 571 days from 491 days. The debtors impairment ratio decreased to 68.72% from the previous years 79.39%.

A bank overdraft facility is utilised amounting to R8 000 000.

The municipality is in arrears with Nedbank to an amount of R7 792 004 (2017 - R288 119)

The outstanding balances in respect of external loans amounts to R9 415 979 (2017 - R10 789 666)

Other Indicators

Possible outflow of resources due to the contingent liability disclosed in note 60.

APPENDIX A
BEAUFORT WES LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Reg No.	Rate	Supplier	Loan Number	Maturity date	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
LONG-TERM LOANS										
ANNUITY LOANS										
General										
Sanlam Building RB21/10/03 IT 5.44		10.46%	DBSA	101257/1	2019-12-31	459 484	-	-	(169 886)	289 598
Sewerage Farm Merweville		6.75%	DBSA	103464/2	2025-06-30	1 717 916	-	-	(182 770)	1 535 146
Entrance Road Industrial Area		10.17%	Nedbank	5/7831033947/1	2020-06-30	1 932 393	-	-	(484 673)	1 447 720
Electricity										
Load control syst RB12/5/98 IT 2		14.00%	DBSA	10619	2019-03-31	624 566	-	-	(291 259)	333 307
20MVA Transformer - Sub Station		10.90%	DBSA	103464/1	2029-07-31	3 829 784	(154 213)	-	(148 774)	3 526 796
Water Works										
Farm Hansriver		10.90%	DBSA	103464/1	2029-07-31	1 681 337	165 531	-	(74 755)	1 772 113
Pressure Control System		10.90%	DBSA	103464/1	2029-07-31	544 185	(11 318)	-	(21 569)	511 298
Total Annuity Loans						10 789 665	-	-	(1 373 686)	9 415 979
LEASE LIABILITY										
Isuzu KB 250D Leed Fleetside P/U S/C	CZ 4033	9.25%	Eqstra	Dir: Traffic Services	2017-09-30	15 113	-	-	(15 113)	-
Machine Franking Neopost U - 40		9.25%	Fintech	Dir: Financial Services	2017-06-30	6 460	-	-	(6 460)	-
Machine Photocopy Nashua MP 2501SPF		9.25%	Nashua	Dir: Financial Services	2017-11-10	3 072	-	-	(3 072)	-
Machine Photocopy Nashua MP6502SP		9.25%	Nashua	Dir: Corporate Services	2018-03-30	57 934	-	-	(57 934)	-
Isuzu KB 250D Leed Fleetside P/U S/C	CZ 9327	9.25%	Eqstra	Reticulation Low	2018-04-30	53 251	-	-	(53 251)	-
Isuzu KB 250D Leed Fleetside P/U S/C	CZ 7488	9.25%	Eqstra	Reticulation High	2018-04-30	53 251	-	-	(53 251)	-
Machine Photocopy Samsung Pro Xpress		9.75%	Minolta	Murraysburg: Admin	2018-10-30	3 908	-	-	(2 883)	1 025
Machine Photocopy Nashua		9.50%	Nashua	Dir: Financial Services	2018-08-30	4 948	-	-	(4 208)	741
Sedan Toyota Etio's	CZ 2168	9.25%	Eqstra	Dir: Financial Services	2018-08-30	48 336	-	-	(41 100)	7 236
Machine Photocopy Ricoh MP301SPF	W915PC03229	9.75%	Fintech	Dir: Financial Services	2019-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP301SPF	W915PC03222	9.75%	Fintech	Church Street Library	2019-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP301SPF	W915PC03233	9.75%	Fintech	Church Street Library	2019-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy Ricoh MP301SPF	W915PC03206	9.75%	Fintech	Mimosa Library	2019-05-30	10 202	-	-	(5 339)	4 863
Machine Photocopy MPC2003SP		9.75%	Nashua	Municipal Manager	2018-10-30	22 390	-	-	(16 518)	5 872
Sedan Chevrolet Aveo 1.6 LS	CZ 9644	9.25%	Eqstra	Dir: Corporate Services	2019-07-30	90 658	-	-	(41 057)	49 600
Ldv Isuzu KB250D Fleetside	CZ 7845	9.25%	Bidvest Bank	Dir: Engineers Services	2019-09-30	134 941	-	-	(56 077)	78 864
Sedan Chevrolet Aveo 1.6 LS	CZ 9123	9.25%	Eqstra	Building Control	2019-07-30	90 658	-	-	(41 057)	49 600
Ldv Isuzu KB250D Fleetside	CZ 8998	9.25%	Bidvest Bank	Municipal Buildings	2019-09-30	134 941	-	-	(56 077)	78 864
Ldv Isuzu KB250D Fleetside	CZ 9637	9.25%	Bidvest Bank	Municipal Buildings	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 9638	9.25%	Bidvest Bank	Recreation Sites	2019-07-30	122 917	-	-	(53 285)	69 632
Ldv Isuzu KB250D Fleetside	CZ 9726	9.25%	Bidvest Bank	Recreation Sites	2019-09-30	125 137	-	-	(49 919)	75 219
Ldv Isuzu KB250D Fleetside	CZ 7772	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	125 203	-	-	(49 945)	75 258
Ldv Isuzu KB250D Fleetside	CZ 8995	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	130 632	-	-	(54 286)	76 346
Ldv Isuzu KB250D Fleetside	CZ 9070	9.25%	Bidvest Bank	Street works & Storm Water	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 9635	9.25%	Bidvest Bank	Street works & Storm Water	2019-07-30	109 898	-	-	(45 670)	64 228
Ldv Isuzu KB250D Fleetside	CZ 9722	9.25%	Bidvest Bank	Fire Brigade	2019-09-30	111 669	-	-	(46 356)	65 313
Ldv Isuzu KB250D Fleetside	CZ 9738	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	116 265	-	-	(46 379)	69 886
Ldv Isuzu KB250D Fleetside	CZ 9739	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	121 237	-	-	(50 382)	70 855
Sedan Chevrolet Aveo 1.6 LS	CZ 9643	9.25%	Eqstra	Housing Office	2019-07-30	95 071	-	-	(43 056)	52 015
Ldv Isuzu KB250D Fleetside	CZ 4807	9.25%	Bidvest Bank	Refuse Removal	2019-09-30	116 265	-	-	(46 379)	69 886
Sedan Chevrolet Aveo 1.6 LS	CZ 9117	9.25%	Eqstra	Dir: Traffic Services	2019-07-30	105 568	-	-	(47 810)	57 758
Ldv Isuzu KB250D Fleetside	CZ 9723	9.25%	Bidvest Bank	Street works & Storm Water	2019-09-30	134 941	-	-	(56 077)	78 864
Ldv Isuzu KB250D Fleetside	CZ 1184	9.25%	Bidvest Bank	Reticulation Low	2019-09-30	121 237	-	-	(50 382)	70 855
Ldv Isuzu KB250D Fleetside	CZ 8695	9.25%	Bidvest Bank	Reticulation: High Voltage	2019-07-30	122 917	-	-	(53 285)	69 632
Ldv Isuzu KB250D Fleetside	CZ 2884	9.25%	Bidvest Bank	Water Purification	2019-09-30	133 055	-	-	(53 077)	79 978
Ldv Isuzu KB250D Fleetside	CZ 8660	9.25%	Bidvest Bank	Water Purification	2019-07-30	122 917	-	-	(53 285)	69 632
Ldv Isuzu KB250D Fleetside	CZ 9725	9.25%	Bidvest Bank	Water Purification	2019-09-30	130 632	-	-	(54 286)	76 346
Ldv Isuzu KB250D Fleetside	CZ 7443	9.25%	Bidvest Bank	Water Reticulation	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 8537	9.25%	Bidvest Bank	Water Reticulation	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 9636	9.25%	Bidvest Bank	Water Reticulation	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 9639	9.25%	Bidvest Bank	Water Reticulation	2019-07-30	127 111	-	-	(52 823)	74 288
Ldv Isuzu KB250D Fleetside	CZ 9684	9.25%	Bidvest Bank	Water Reticulation	2019-09-30	121 237	-	-	(50 382)	70 855
Ldv Isuzu KB250D Fleetside	CZ 9685	9.25%	Bidvest Bank	Water Reticulation	2019-09-30	121 237	-	-	(50 382)	70 855
Ldv Isuzu KB250D Fleetside	CZ 9686	9.25%	Bidvest Bank	Water Reticulation	2019-09-30	121 237	-	-	(50 382)	70 855
Ldv Isuzu KB250D Fleetside	CZ 9687	9.25%	Bidvest Bank	Murraysburg Refuse Removal	2019-09-30	127 509	-	-	(52 988)	74 521
Ldv Isuzu KB250D Fleetside	CZ 9724	9.25%	Bidvest Bank	Murraysburg Water Reticulation	2019-09-30	130 632	-	-	(54 286)	76 346
Ldv Isuzu KB250D Fleetside	CZ 9103	9.25%	Bidvest Bank	Water Reticulation	2019-07-30	122 431	-	-	(53 074)	69 357
Truck Refuse	CZ 2962	9.25%	Eqstra	Refuse Removal	2020-02-15	1 414 024	-	-	(502 587)	911 437
Machine Photocopy Ricoh MP301spf	W916P905120	9.75%	Fintech	General Expenses	2020-01-30	16 961	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP301spf	W916P905097	9.75%	Fintech	Dir: Financial Services	2020-01-30	16 961	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP301spf	W916P905086	9.75%	Fintech	Thusing Centre	2020-01-30	16 961	-	-	(5 814)	11 148
Machine Photocopy Ricoh MP301spf		10.50%	Fintech	General Expenses	2020-05-30	18 322	-	-	(5 664)	12 658
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G802ESX3	10.50%	MTN	Municipal Manager	2019-02-28	6 305	-	-	(3 650)	2 654
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G8168J2K	10.50%	MTN	Dir: Corporate Services	2019-02-28	6 305	-	-	(3 650)	2 654
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G8168M8E	10.50%	MTN	Dir: Financial Services	2019-02-28	6 305	-	-	(3 650)	2 654
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G701QG2V/	10.50%	MTN	Dir: Engineers Services	2019-02-28	6 305	-	-	(3 650)	2 654
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G70KPZ7K/	10.50%	MTN	Dir: Community Services	2019-02-28	6 305	-	-	(3 650)	2 654
Samsung SM-P555 (Galaxy TAB 9.7) with pouch	R52G8168LEA	10.50%	MTN	Admin: Electrical	2019-02-28	6 305	-	-	(3 650)	2 654
Sedan Toyota Etio's	CZ 10137	10.50%	Eqstra	Dir: Traffic Services	2020-07-30	-	-	144 876	(39 663)	105 215
Ldv Isuzu KB250D Fleetside	CZ 9325	10.50%	Bidvest Bank	Refuse Removal	2021-01-31	-	-	193 135	(23 421)	169 713
Ldv Isuzu KB250D Fleetside	CZ 9480	10.50%	Bidvest Bank	Dir: Traffic Services	2021-01-31	-	-	210 496	(25 527)	184 966
Total Lease Liabilities						6 834 242	-	548 508	(2 587 909)	3 794 839
TOTAL EXTERNAL LOANS						16 623 907	-	548 508	(3 961 595)	13 210 818

APPENDIX B
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			Governance and Administration			
38 708 771	18 439 418	20 269 353	Executive and council	36 531 137	21 182 289	15 348 848
35 040 997	41 476 322	(6 435 325)	Finance and administration	37 281 628	55 694 571	(18 412 943)
-	-	-	Internal audit	-	-	-
			Community and Public Safety			
6 102 666	9 537 736	(3 435 069)	Community and social services	6 402 194	9 731 871	(3 329 678)
2 095 165	6 972 455	(4 877 290)	Sport and recreation	5 800 652	7 457 076	(1 656 424)
64 799 890	64 845 899	(46 009)	Public safety	45 175 519	43 492 422	1 683 097
6 208 613	7 193 140	(984 527)	Housing	2 212 272	3 509 076	(1 296 803)
-	-	-	Health	-	-	-
			Economic and Environmental Services			
373 251	5 066 257	(4 693 006)	Planning and development	404 159	5 086 249	(4 682 090)
11 580 353	19 424 400	(7 844 047)	Road transport	12 120 871	26 286 279	(14 165 408)
-	-	-	Environmental protection	-	-	-
			Trading Services			
87 236 573	71 206 385	16 030 188	Energy sources	94 613 351	74 565 405	20 047 946
27 840 733	23 286 544	4 554 190	Water management	72 707 080	23 968 005	48 739 075
41 321 295	9 453 972	31 867 323	Waste water management	40 267 631	9 833 740	30 433 891
9 356 517	12 843 840	(3 487 323)	Waste management	9 751 344	14 391 687	(4 640 343)
-	-	-	Other	-	-	-
330 664 824	289 746 366	40 918 458	Sub Total	363 267 839	295 198 670	68 069 169
13 315 367	-	13 315 367	Less Inter-Departmental Charges	12 483 893	-	12 483 893
317 349 457	289 746 366	27 603 091	Total	350 783 946	295 198 670	55 585 276

APPENDIX C
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			Municipal Manager			
-	4 593 186	(4 593 186)	Municipal Manager	965 827	5 409 997	(4 444 169)
38 708 771	13 846 232	24 862 539	Mayor and Council	35 565 309	15 772 292	19 793 018
			Chief Financial Officer			
34 512 982	25 253 938	9 259 044	Budget and Treasury Office	36 916 292	31 541 894	5 374 397
			Director: Administration			
528 015	16 222 384	(15 694 369)	Corporate Services	365 337	24 152 677	(23 787 340)
82 792	1 326 363	(1 243 571)	Planning and Development	104 159	1 382 525	(1 278 366)
			Director: Community Services			
6 102 666	9 537 736	(3 435 069)	Community and Social Services	6 402 194	9 731 871	(3 329 678)
-	-	-	Environmental Protection	-	-	-
2 095 165	6 972 455	(4 877 290)	Sport and Recreation	5 800 652	7 457 076	(1 656 424)
64 799 890	64 845 899	(46 009)	Public Safety	45 175 519	43 492 422	1 683 097
6 208 613	7 193 140	(984 527)	Housing	2 212 272	3 509 076	(1 296 803)
-	-	-	Health	-	-	-
			Director: Technical Services			
11 870 812	23 164 295	(11 293 482)	Road Transport	12 420 871	29 990 004	(17 569 133)
87 236 573	71 206 385	16 030 188	Electricity	94 613 351	74 565 405	20 047 946
27 840 733	23 286 544	4 554 190	Water	72 707 080	23 968 005	48 739 075
41 321 295	9 453 972	31 867 323	Waste Water Management	40 267 631	9 833 740	30 433 891
9 356 517	12 843 840	(3 487 323)	Waste Management	9 751 344	14 391 687	(4 640 343)
330 664 824	289 746 366	40 918 458	Sub Total	363 267 839	295 198 670	68 069 169
13 315 367	-	13 315 367	Less Inter-Departmental Charges	12 483 893	-	12 483 893
343 980 191	289 746 366	54 233 825	Total	375 751 733	295 198 670	80 553 063

APPENDIX D
BEAUFORT WES LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2018
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Impairment				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Reversal	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Budget & Treasury	12 529 113	1 501 250	(883 562)	13 146 801	-	3 500	-	3 500	6 176 070	976 874	(650 246)	6 502 698	6 640 603
Community & Social Services	3 215 271	186 072	(166 675)	3 234 669	-	-	-	-	1 061 386	326 140	(102 765)	1 284 761	1 949 908
Corporate Services	126 190 100	-	(1 565 960)	124 624 140	-	17 231 486	-	17 231 486	4 689 109	1 053 875	(469 369)	5 273 615	102 119 040
Electricity	98 000 763	5 739 130	(533 252)	103 206 641	-	-	-	-	14 799 689	2 722 615	(481 814)	17 040 491	86 166 151
Executive & Council	11 459 504	89 880	(54 997)	11 494 388	441 216	397 184	(57 700)	780 700	3 024 457	271 470	(39 414)	3 256 513	7 457 175
Housing	138 314	-	-	138 314	-	-	-	-	29 968	29 520	-	59 489	78 825
Planning & Development	1 601 678	141 339	(89 225)	1 653 793	-	-	-	-	907 733	135 470	(72 370)	970 834	682 959
Public Safety	2 532 407	703 446	(331 894)	2 903 959	-	-	-	-	625 933	363 120	(271 665)	717 388	2 186 571
Road Transport	189 655 939	348 646	(192 581)	189 812 004	-	-	-	-	43 117 423	5 741 425	(138 315)	48 720 532	141 091 471
Sport & Recreation	7 948 392	10 503 052	(297 298)	18 154 146	-	-	-	-	1 581 302	472 800	(173 701)	1 880 401	16 273 745
Waste Management	14 467 478	(159 709)	(58 317)	14 249 452	256 368	15 411	-	271 779	6 724 183	687 237	(43 767)	7 367 653	6 610 020
Waste Water Management	95 464 073	30 911 700	(57 261)	126 318 512	-	-	-	-	10 332 448	2 086 413	(37 245)	12 381 616	113 936 896
Water	66 897 465	29 654 507	(188 674)	96 363 298	-	-	-	-	19 736 632	2 815 066	(108 419)	22 443 278	73 920 020
	630 100 498	79 619 314	(4 419 695)	705 300 117	697 584	17 647 581	(57 700)	18 287 465	112 806 333	17 682 025	(2 589 090)	127 899 268	559 113 384

APPENDIX E
BEAUFORT WES LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2017	Correction of Error	Restated Balance 30 June 2017	Contributions during the year	Transfers	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
National Government Grants													
Equitable Share	-	-	-	51 060 000	-	-	-	(51 060 000)	-	-	-	-	-
Local Government Financial Management Grant	-	-	-	1 700 000	-	-	-	(1 499 627)	-	(200 373)	-	-	-
Energy Efficiency and Demand Side Management Grant	-	-	-	6 000 000	-	-	-	(5 262 218)	-	(711 055)	26 727	26 727	-
Municipal Infrastructure Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Menweville Sports Field	11 835 155	-	11 835 155	5 432 044	-	-	(11 835 155.00)	-	(4 755 959)	(676 085)	-	-	-
Beaufort West Sport Stadium	-	-	-	167 253	-	-	-	(148 151)	-	(19 102)	-	-	-
Rehabilitate Roads	-	-	-	183 705	-	-	-	-	(161 145)	(22 560)	-	-	-
PMU	-	-	-	300 000	-	-	-	(298 182)	-	(1 818)	-	-	-
Investigation Aquifers	-	-	-	735 741	-	-	-	-	(645 387)	(90 354)	-	-	-
Rehabilitate Bulk Water Klein Hansrivier	-	-	-	5 000 000	-	-	-	-	(4 357 297)	(642 703)	-	-	-
Rehab Murraysburg Sanitation	-	-	-	2 114 597	-	-	-	-	(1 854 910)	(259 687)	-	-	-
Protea & Oak Streets	-	-	-	206 659	-	-	-	-	(181 280)	(25 379)	-	-	-
Integrated National Electrification Grant	-	-	-	6 600 000	-	-	-	-	(5 739 130)	(860 870)	-	-	-
Expanded Public Works Programme Integrated Grant	-	-	-	1 659 000	-	-	-	(1 569 865)	-	(4 321)	84 814	84 814	-
Department Rural Development and Land Reform	-	-	-	22 985 715	-	-	-	-	(20 149 973)	(2 835 743)	-	-	-
Total National Government Grants	11 835 155	-	11 835 155	104 144 714	-	-	(11 835 155)	(59 838 043)	(37 845 081)	(6 350 049)	111 542	111 542	-
Provincial Government Grants													
Human Settlements Development Grant (Beneficiaries)	-	-	-	23 345 615	-	-	-	(429 155)	(22 915 750)	-	710	710	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Toilet Project)	834 085.45	72 255.67	906 341.12	1 015 000	-	24 791	-	(1 693 846)	-	(24 802)	227 484	227 484	-
Human Settlements Development Grant - Acceleration of Housing Delivery (Bulk Services)	-	-	-	6 300 000	-	44 911	-	-	(6 141 040)	-	203 871	203 871	-
Human Settlements Development Grant - Tile Deeds Restoration	-	-	-	696 000	-	9 775	-	-	-	-	705 775	705 775	-
Provincial Treasury : Financial Management Capacity Building Grant	61 079.81	-	61 079.81	-	370 304	6 801	-	(65 827)	-	-	372 357	372 357	-
Provincial Treasury : Financial Management Support Grant	279 609.90	-	279 609.90	2 770 000	(370 304)	41 615	(157 450)	(2 119 320)	-	(210 680)	233 471	233 471	-
Department of Transport and Public Works : Maintenance and Construction of Transport Infrastructure	-	-	-	4 834 053	-	-	-	(4 834 053)	-	-	-	-	-
Department of Cultural Affairs and Sport : Library Service: Replacement Funding	63 533.73	-	63 533.73	5 109 619	-	100 961	-	(5 014 421)	(25 350)	-	234 342	234 342	-
Department of Cultural Affairs and Sport : Development of Sport and Recreation Facilities	522 254.08	-	522 254.08	-	-	28 611	-	-	-	-	550 866	550 866	-
Department of Local Government : Fire Service Capacity Building Grant	-	-	-	800 000	-	29 040	-	-	(590 918)	(84 048)	154 074	154 074	-
Department of Local Government : Community Development Workers (CDW) Operational Support Grant	58 464.57	-	58 464.57	204 000	-	8 343	-	(219 714)	(46 728)	(17 300)	-12 935	-	(12 935)
Department of Local Government : Thusong Services Centres Grant (Sustainability: Operational Support Grant)	-	-	-	330 000	-	8 187	-	-	-	-	338 187	338 187	-
Department of Local Government : Municipal Drought Relief Grant	-	-	-	5 300 000	-	-	-	(507 566)	(4 501 850)	(125 462)	165 122	165 122	-
Department of Local Government : Municipal Service Delivery and Capacity Building Grant	-	-	-	480 000	-	2 152	-	(400 000)	-	-	82 152	82 152	-
Total Provincial Government Grants	1 819 028	72 256	1 891 283	51 184 287	-	305 188	(157 450)	(15 283 903)	(34 221 637)	(462 292)	3 255 476	3 268 411	(12 935)
Total Grants	13 654 183	72 256	13 726 438	155 329 001	-	305 188	(11 992 605)	(75 121 945)	(72 066 718)	(6 812 341)	3 367 018	3 379 953	(12 935)